

**NOMINATIONS OF ALICIA MUNNELL,  
MICHAEL LEVY, JEFFREY SHAFER,  
MARGARET MILNER RICHARDSON,  
AND GEORGE WEISE**

Y 4. F 49: S. HRG. 103-222

Nominations of Alicia Munnell, Mich... **RING**

--- ARE THE

**COMMITTEE ON FINANCE  
UNITED STATES SENATE**

**ONE HUNDRED THIRD CONGRESS**

**FIRST SESSION**

**ON THE**

**NOMINATIONS OF**

**ALICIA MUNNELL TO BE ASSISTANT SECRETARY OF THE TREASURY  
FOR ECONOMIC POLICY; MICHAEL LEVY TO BE ASSISTANT SEC-  
RETARY OF THE TREASURY FOR LEGISLATIVE AFFAIRS; JEFFREY  
SHAFER TO BE DEPUTY UNDER SECRETARY OF THE TREASURY FOR  
INTERNATIONAL AFFAIRS; MARGARET MILNER RICHARDSON TO BE  
COMMISSIONER, INTERNAL REVENUE SERVICE; AND GEORGE WEISE  
TO BE COMMISSIONER, U.S. CUSTOMS SERVICE**

**MAY 6, 1993**



**Printed for the use of the Committee on Finance**

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"THE COMMITTEE ON FINANCE"

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**NOMINATIONS OF ALICIA MUNNELL,  
MICHAEL LEVY, JEFFREY SHAFER,  
MARGARET MILNER RICHARDSON,  
AND GEORGE WEISE**

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**THURSDAY, MAY 6, 1993**

**U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, DC.***

The hearing was convened, pursuant to notice, at 10:00 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the committee) presiding.

Also present: Senators Daschle, Breaux, Conrad, Danforth, Chafee, Durenberger, and Grassley.

[The press release announcing the hearing follows:]

[Press Release No. H-19, May 4, 1993]

**CONFIRMATION HEARING FOR TREASURY DEPARTMENT NOMINEES ANNOUNCED**

WASHINGTON, DC.—Senator Daniel Patrick Moynihan (D-NY), Chairman of the Senate Committee on Finance, announced today that the Committee will hold an executive session to hear and consider the following Treasury Department nominations: Alicia Munnell, Asst. Secretary for Economic Policy; Michael Levy, Asst. Secretary for Legislative Affairs; Jeffrey Shafer, Deputy Under Secretary for International Affairs; Margaret Milner Richardson, Commissioner, Internal Revenue Service; George Weise, Commissioner, U.S. Customs Service.

The Committee session will take place on *Thursday, May 6, 1993 at 10:00 a.m.* in SD-215.

**OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN,  
A U.S. SENATOR FROM NEW YORK, CHAIRMAN, COMMITTEE  
ON FINANCE**

The CHAIRMAN. A very good morning to our nominees and their guests. This is a very special occasion for the Committee on Finance. We have the high honor and distinct privilege of having before us our revered, greatly respected colleague and mentor in so many ways, Chairman Rostenkowski of the Committee on Ways and Means, who is here to introduce Mr. George Weise, who has been nominated for Commissioner of Customs. This is the first time this position is subject to Senate confirmation in the long history of the American republic. As you know, the first thing we did was declare independence; and the second thing we did was begin collecting customs. [Laughter.]

This was our principal source of revenue until the 16th amendment. So we welcome you, Mr. Chairman.

Senator Durenberger, did you wish to offer a word of welcome?



**OPENING STATEMENT OF HON. DAVE DURENBERGER, A U.S.  
SENATOR FROM MINNESOTA**

Senator DURENBERGER. Mr. Chairman, on behalf of no one but myself, and I know the ranking member is occupied right now in the Commerce Committee with Ambassador Kantor, I particularly want to welcome the nominee, but, especially, my friend, the chairman of the Ways and Means Committee. It is a delight to see him over here and it is going to be a pleasure during the course of this year to do a lot of public policy business with him and with his colleagues.

I am just pleased, very pleased, to see Dan Rostenkowski.

The CHAIRMAN. That is very generous of you, sir.

Senator Conrad?

**OPENING STATEMENT OF HON. KENT CONRAD, A U.S.  
SENATOR FROM NORTH DAKOTA**

Senator CONRAD. Well, thank you, Mr. Chairman. It is wonderful to see the chairman of the House Ways and Means Committee here, a man who we look to as a prime defender of agricultural interests on the House side. [Laughter.]

And I look forward very much to what we will hear this morning.

The CHAIRMAN. Thank you.

And, of course, Senator Baucus is here to join in introducing Mr. Weise.

Mr. Chairman, good morning, sir.

**STATEMENT OF HON. DAN ROSTENKOWSKI, A U.S.  
REPRESENTATIVE FROM ILLINOIS**

Congressman ROSTENKOWSKI. Thank you, Mr. Chairman and members of the committee. It is certainly a pleasure for me to testify on behalf of George Weise.

But before I do that I certainly want you to know that I am testifying this morning before my favorite Senate committee. I know that both of our committees will be active in the next weeks and months work on the reconciliation package of this administration. It is probably our largest responsibility and I am looking forward to working with you in the many days of conferences and achieving a resolution, I hope, in solving our Nation's problem.

The CHAIRMAN. Thank you.

Congressman ROSTENKOWSKI. Mr. Chairman and members of the committee, I am pleased to accompany George Weise as he appears before you today to be confirmed as Commissioner of Customs. I know George well and I am confident that he will do this important job well.

I suggested that President Clinton nominate him and I urge you to confirm him. George worked for the Ways and Means Committee for nearly 9 years and became staff director of our Trade Subcommittee in 1989. That means he directed the trade staff and worked directly with members who enacted the Trade Act of 1990 and won House approval for the Customers Modernization Act earlier in his career.

He spent 8 years at the International Trade Commission and worked on the private sector trade issues when he was employed



at IBM. He knows the Customs Service well because he began his career there nearly 20 years ago.

In short, Mr. Chairman, he has devoted his entire career to understanding and perfecting our trade system. But George is more than an expert in the law. He is also skilled at analyzing and solving problems. During his years at the Ways and Means Committee he was diligent and creative in seeking a middle ground between groups with opposing views.

I do not think it is an overstatement to say that his previous jobs have prepared him well for this appointment and I am confident that he will serve well and with distinction.

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you, sir. I note the hour of 10:00 having come, it is typically the case that you will be convening your committee. If you wish to leave, we would understand and thank you again for coming, sir.

Congressman ROSTENKOWSKI. Well, I will leave you in the capable hands of my friend, Max Baucus, who was a darn good House member when he was there. [Laughter.]

Senator BAUCUS. Very good. Thank you.

The CHAIRMAN. Thank you.

Senator Baucus, good morning.

#### **STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA**

Senator BAUCUS. Mr. Chairman, it is my great pleasure to join the esteemed chairman of the House Ways and Means Committee to introduce to this committee George Weise to be nominee for Commissioner of the U.S. Customs Service.

I am doubly pleased to share the honor with the chairman of the House Ways and Means Committee because as you well know, there is no one who has served this Congress better and more faithfully with respect to our Nation's tax laws than has Chairman Rostenkowski.

I think George is very familiar to all of us as the former staff director of the Trade Subcommittee of the House Ways and Means Committee. Mr. Weise is eminently qualified for this position. I say that for many reasons. First, because in 1972 as the chairman indicated, George started his career with the Customs Service. He worked with the Customs Service and he loved his work with the Customs Service.

He shared this with me just a few days ago and the Customs Service has always been a gleam in his eye and it began with his early career beginning with the Service. He has followed Customs issues ever since. I am certain, therefore, that George will pursue his new duties with the same vigor, the same commitment and the same enthusiasm that he's shown throughout his career.

I am particularly pleased to see that a trade specialist has been appointed to this post. In the past, Mr. Chairman, I think we have too often seen this job awarded to people with little or no experience in international trade.

Time after time we have watched trade enforcement take a back seat to drug interdiction and other Customs duties. Those are all very important. But, again, too often trade has been relegated to

such a back seat that it has not been given the emphasis that it should have.

In this post-cold war era, however, I think we have to change those priorities, although drug interdiction, and other Customs duties are important, we have to move trade enforcement up to a much higher level.

Trade is more important than ever. And as George himself says, trade agreements are only as good as their enforcement. And when you think about it, our Nation's trade policy in part is only as good as our Customs Service.

With George Weise at the helm, we can be assured that our trade laws will be upheld. Customs will watch keenly for illegal goods, trans-shipped textile goods, autos not meeting local content rules. We will not have to crack the whip to get Customs to look into charges that goods entering the United States from China or other sources are being made with slave labor.

As I should point out, George is no stranger to anti-narcotics or crime laws due to his legislative background; he is very familiar with these areas. I am certain he will do as well with those aspects of the Customs portfolio as he will with trade.

Mr. Chairman, I very strongly recommend Mr. Weise's appointment and I know that the committee will favorably report him and his nomination will swiftly move to the Senate floor and he will be confirmed.

The CHAIRMAN. We thank you very much, Senator. And you, of course, will play no small role in just that.

Mr. Weise, good morning, sir. I believe Mrs. Weise is in the audience.

Mr. WEISE. Yes, she is, Mr. Chairman. She is here with my family, my daughters and my father as well.

The CHAIRMAN. Daughters. A very good morning to the Weise family.

There you are. We welcome you to the committee. Mr. Weise, you are on your own.

#### **STATEMENT OF GEORGE WEISE, NOMINATED TO BE COMMISSIONER OF CUSTOMS**

Mr. WEISE. Mr. Chairman and distinguished members of the Senate Finance Committee, it is indeed an honor and a privilege to appear before you today as the nominee for the position of Commissioner for the U.S. Customs Service. And as has been said, I started my career as an entry level Customs officer more than 20 years ago in the port of Baltimore. And today this is a fulfillment of a dream for me.

I am grateful to the President for the confidence he has placed in me and to Secretary Bentsen for recommending me for this position. It is clear, however, that none of this would have happened without the strong backing and support of the chairman of the committee on Ways and Means, Dan Rostenkowski.

For the last 9 years Chairman Rostenkowski has taught me a great deal. But above all, through his example, he taught me the importance of public service. I am, indeed, a truly lucky individual. Most people in their life times do not have the opportunity to work for a leader like Dan Rostenkowski.

But if confirmed, I will have the opportunity to serve another outstanding American, Secretary Lloyd Bentsen, who also has dedicated his life to public service, much of it as the chairman of this distinguished committee.

I also want to thank Senator Max Baucus, distinguished chairman of the Subcommittee on International Trade, for his kind words this morning and for his support.

Senator Baucus has been a leader in the formulation of a coherent, effective trade policy for a number of years. He has also been a friend of the Customs Service, with particular interest, as is yours, Mr. Chairman, in ensuring that Customs fulfills its northern border responsibility.

I want to thank my family as well for their support in helping me pursue this dream. To my lovely wife, Therese, and my beautiful daughters, Michelle and Melissa, thanks for understanding that the financial rewards of the private sector are no match for the satisfaction one receives from making a meaningful contribution for the public good.

I believe that if confirmed I can and I will make that kind of meaningful contribution to the U.S. Customs Service. I would not be seeking this appointment if I were not committed to making a difference and to making Customs the best that it can be.

Finally, to my father and sister who are with me today, thanks for being behind me for all these years. We know mom would have been proud.

Mr. Chairman, I am particularly proud to be the first Commissioner of Customs, as you indicated, to be nominated for the position by the President and to be subject to Senate confirmation. Chairman Rostenkowski and I worked closely with this committee in 1988 to make this statutory change. And I want to assure you I fully appreciate the need for accountability that motivated this change.

I can also assure you, as I assured Secretary Bentsen, that if confirmed, I will faithfully carry out administration policies and I will consult fully with the Department, with this committee, and the Congress on all major policy issues.

Mr. Chairman, I feel very humble in asking the committee to support my nomination as Commissioner, but I am also confident that I have the qualifications to lead this agency which I have cared so deeply about for the last 20 years.

You could almost say that I have spent my entire career preparing for the responsibilities of this position. I must admit, however, that I often wondered if there ever would be another Democrat in the White House to create this opportunity.

I have told you before, and it has been mentioned that I started my career in Customs. After spending 3 years as an Import Specialist with the Customs Service in the early 1970's, I began to broaden my trade policy experience, without ever losing touch with Customs Issues.

After I left Customs I spent 9 years as an attorney with the U.S. International Trade Commission, where I was directly involved in the negotiation of the GATT agreements on customs valuation and trade in civil aircraft, as well as in the development of the Harmonized System of tariff nomenclature.



After a brief stint in the early 1980's as a customs attorney for IBM, as part of the President's Executive Exchange Program, I joined the trade staff of the Ways and Means Committee in 1984. As a member of that committee, I spent the last 9 years working on a wide variety of trade and customs issues.

For the last 2 years I was deeply involved in the development of the Customs Modernization Act. And if confirmed, Mr. Chairman, I intend to make a top priority, working closely with this committee and the Congress to see that this critical piece of legislation is enacted into law as early as possible.

Mr. Chairman, that is my background. I believe it qualifies me in some very unique ways for this position. I not only have a keen understanding of the customs mission, but also an appreciation for the overall role of the Customs Service in carrying out U.S. trade policy.

I have a deep affection for the dedicated, hardworking customs work force and I believe I can relate to their problems and their concerns. Customs is a proud agency with a long history of serving the public good. But in recent years it has come under increasing scrutiny and criticism, particularly for alleged mismanagement problems.

While I appreciate the many accomplishments of the Customs Service and its people, I also believe that working together we can and we will do better. If confirmed, I intend to carry out the agency's many diverse, commercial and enforcement responsibilities in a balanced way.

At the same time, we will expect all Customs employees to meet the highest ethical standards. I hope you will give me that chance. Mr. Chairman, I thank you for giving me this opportunity to appear before you today and I look forward to answering any questions you may have.

[The prepared statement of Mr. Weise appears in the appendix.]

The CHAIRMAN. We thank you, Mr. Weise. You are quite favorably known to this committee. There are no particular questions that I would address, but it is safe to ask one matter for the record.

Is it not the case that in recent appropriation bills there has been a stipulation that the Commissioner of Customs is not to carry out a management review of the Customs Service?

Mr. WEISE. That is correct, Mr. Chairman. For approximately the last 5 years there has been a rider in the Customs Appropriation Bill that does not permit the U.S. Customs Service to expend any funds to even study whether or not we are properly organized.

We have a number of regional, district and port offices throughout the country, many of which have been in place for well over 100 years and we are not permitted to even look at whether we are most efficiently and effectively organized.

The CHAIRMAN. And I am correctly informed, am I not, that this prohibition does not arise from the Senate side?

Mr. WEISE. My recollection, and I think you are correct, Mr. Chairman, is that it originated out of the House Appropriations Committee. And frankly, I will say to the committee, I understand what motivated this provision. I think there was some concern in the past that there would be arbitrary closings of Customs port and

district offices and there was a distrust that Customs would take an appropriate, objective look at this.

But I can assure you that if we can work together to get rid of that prohibition, the Congress and the business community will be consulted before any changes are made in our organization.

The CHAIRMAN. I mean, it seems to be elementally in order. I would like to ask that the report of Commissioner Weise's nomination, if our colleagues agree, stipulate that we have had enough of a rider that says you cannot inquire into the managerial efficiency of your agency.

Senator DURENBERGER. I cannot argue with that.

The CHAIRMAN. Well, Senator Chafee seems to be hesitant there for a moment.

Senator CHAFEE. Well, I am just stunned. I did not know that was in the law. I am stunned that it is there. That House again. [Laughter.]

The CHAIRMAN. Thank you, Mr. Weise.

Senator Durenberger?

Senator DURENBERGER. I have no questions.

The CHAIRMAN. Senator Chafee?

Senator CHAFEE. No questions, Mr. Chairman, thank you.

The CHAIRMAN. And thank you, sir, and we will proceed directly to this matter.

Mr. WEISE. Thank you, Mr. Chairman.

The CHAIRMAN. And, Mrs. Weise, we thank you.

And now we will turn directly to another good friend of this committee and of good government, Alicia Munnell, who has been nominated by the President to be an Assistant Secretary of the Treasury Department.

Representative Kennedy is here to introduce her. Sir, we welcome you most specifically and thank you for your generosity in coming over on this.

#### STATEMENT OF HON. JOSEPH KENNEDY II, A U.S. REPRESENTATIVE FROM MASSACHUSETTS

Congressman KENNEDY. Well, thank you, Mr. Chairman, Mr. Chafee, and Mr. Durenberger. I was delighted to hear that the House was once again being complimented for sticking up for the people's interest as I walked in the room.

I want to thank the Senate Finance Committee for the opportunity to come this morning and to speak on behalf of a good friend, someone who has really contributed tremendously not only to the economy, but to all the people that live in the New England region, through her work at the Federal Reserve in the Boston District.

She has been nominated by President Clinton for the Assistant Secretary for Economic Policy at the U.S. Department of the Treasury. I have known Alicia for a number of years and she has done first-class research as the senior vice president and director of research at the Federal Reserve Bank of Boston.

Under her tenure the Boston's research division has become the most respected research Department in the Federal Reserve system. She has an expertise in a number of areas, including the—

The CHAIRMAN. Sir, would you allow me to interrupt you. There seems to be some talk in the back of the room and we will not have it. A Representative is addressing the Committee on Finance and there will be silence or we will empty this room. Is that understood? Thank you.

Representative Kennedy.

Congressman KENNEDY. In any event, I do just want to pay Alicia a brief compliment on her tremendous work on the Social Security program, issues regarding personal savings behavior, as well as infrastructure investment and many others.

But, Mr. Chairman, and Senators, I want to particularly thank Ms. Munnell on the work that she has done with regard to the whole issue of home mortgage discrimination. As you know, studies of HMDA data have indicated that there are discriminatory practices by a large number of banks in this country.

Alicia's work in trying to define exactly what was involved in that discrimination has become a landmark and has done an enormous amount of good. And perhaps she is ultimately responsible for more investment in the inner cities of this country, and in the poorest and most vulnerable neighborhoods of this country, because of the technical analysis that she did pertaining to that data.

Yesterday's announcement by the OCC to use "testers" is a recognition of the need to further pursue Alicia's research and to utilize that data as a method for gaining the banks' investments in those communities.

I really want to thank you, Alicia, because it was landmark work. I highly recommend her to this committee and I want to praise President Clinton for such a perceptive and a good, fine choice.

The CHAIRMAN. We thank you so much, sir. And not least for bringing us up-to-date on this new information. It was very welcome. I know it matters a great deal to you and it matters to this committee as well.

Representative Kennedy. I know Senator Chafee has expressed a strong interest in this issue as well.

The CHAIRMAN. He certainly has done, yes.

Senator Chafee, did you want to say anything to your colleague there about the House of Representatives? [Laughter.]

No. I would say that Representative Kennedy is doing very well under the new administration. It seems to me he is a regular over here. Have you got any more nominees coming along?

Representative Kennedy. As long as you keep giving them the nod there, Senator, I will keep giving you an opportunity to do so.

Senator CHAFEE. All right. Well, we are glad. We appreciate you coming by and we are glad to see Ms. Munnell here.

Representative Kennedy. Thank you, Senator Chafee.

The CHAIRMAN. Thank you.

Representative Kennedy. Thank you very much, Mr. Chairman.

The CHAIRMAN. And good morning, Dr. Munnell. I believe, let's see, your husband, Henry Healy is here and son, Hamilton. Are they indeed?

Dr. MUNNELL. Yes. I have extensive family here if you have just a second. My husband, Henry Healy. My brother, Walter Haydock.



My sister-in-law, Cece Haydock. Their son, my nephew, Walter Haydock. Those three are your constituents, Mr. Chairman.

The CHAIRMAN. Would they stand up. [Laughter.]

Dr. MUNNELL. I have a sister-in-law, Kathy Smith. And I hope my son, Hamilton is here. There in the back.

The CHAIRMAN. Hamilton. There we are. Good morning, sir. And welcome to you all.

### **STATEMENT OF ALICIA MUNNELL, NOMINATED TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY**

Dr. MUNNELL. Mr. Chairman, distinguished members of the Senate Finance Committee, ladies and gentlemen, I appear before you today as President Clinton's nominee for Assistant Secretary for Economic Policy for the Treasury Department.

It is an honor to have been nominated and it is an honor to be here. If I am confirmed, I look forward to serving President Clinton and Secretary Bentsen, and to working with all the members of the committee on the critical economic challenges that face the United States today.

President Clinton has proposed a bold plan to revitalize the American economy. Congress has adopted the broad outline of that plan. The strategy is to improve living standards for us and for our children by investing in America's future. Investment is the only way to reverse the dismal underlying trends of low productivity growth and stagnant incomes.

The President proposes both to increase direct government investment and to free up private resources through deficit reduction for private investment.

The Treasury Department, as an institution, will be central to implementing the plan. And Secretary Bentsen, as the administration's chief economic spokesperson, has played and will continue to play a key role in developing the economic agenda.

The Assistant Secretary for Economic Policy is charged with helping the Secretary of the Treasury execute this assignment. Although the responsibilities are broad, I would like to focus today on four aspects of the job.

The bread and butter of this job is economic forecasting. This involves cooperation with the Council of Economic Advisors and OMB to come up with the administration's economic forecast. This forecast is used extensively by all departments for internal planning and usually for budget projection.

The second task of the Assistant Secretary is to evaluate the economic consequences of various policy alternatives. Such analysis includes estimating the job and income affects of regulatory changes, new or reduced government spending, and other fiscal decisions.

The third task of the Assistant Secretary for Economic Policy is collecting and analyzing information on the U.S. portfolio investment flows. This information is increasingly important as capital markets become more interconnected.

Finally, the Assistant Secretary for Economic Policy represents the Treasury Department, both inside and outside of government. The Clinton administration is committed to an interagency approach to developing policy options. Sometimes the experience feels very much like being in graduate school, taking seminars in health

care reform, infrastructure financing, reemploying dislocated workers, welfare reform, and a host of other subjects.

But this ability to participate and contribute to a wide range of policy formation is a major attraction of the job.

In conclusion, I believe the Office of Economic Policy should serve as the Treasury Department's internal consulting arm, providing forecasts, studies and evaluations, not only to the Secretary but also to other offices within Treasury.

Furthermore, without an institutional stake in other Departments' programs, Treasury representatives can serve as honest brokers on interagency task forces, addressing a wide range of policy issues. The Office of Economic Policy is a staff with extremely competent career professionals eager to provide rigorous and objective economic analysis.

I am pleased and honored to be here at the request of President Clinton and Secretary Bentsen. If confirmed, I look forward to leading this office and working with all of you. Thank you very much.

[The prepared statement of Dr. Munnell appears in the appendix.]

The CHAIRMAN. Dr. Munnell, the work is so widely known and particularly well known to this committee that it is ghastly for me to do more than congratulate you and congratulate the President on having persuaded you to come.

We had hoped you might be interested in Social Security Administration, but you have done that work perhaps and this larger canvas, this complete world of economic policy is now yours. So when everything goes well, we will know who to thank. And conversely, we will not go into that just now. [Laughter.]

But we saw just yesterday a decision on Federal debt management that was a quite striking response to a new interest rate environment, which again speaks to the centrality of what you do. It is on occasion unmanageable to the layman, but not, thank goodness, to you.

Dr. MUNNELL. Thank you.

The CHAIRMAN. Senator Durenberger?

Senator DURENBERGER. Mr. Chairman, I appreciate the opportunity to make a couple of comments. I have a statement welcoming all the witnesses and making specific reference to Dr. Munnell and Ms. Richardson that I would like to be part of the record.

The CHAIRMAN. Without objection.

[The prepared statement of Senator Durenberger appears in the appendix.]

Senator DURENBERGER. But I want to make an observation that, number one, I am very, very pleased to see Ms. Munnell here. I do not know why she wants to do it. She has spelled her reasons out in her opening statement. But I am just very pleased.

I am also constantly amazed at the intellectual perfection that is demanded of people in this country. In my past work on generational equity in the mid-80's, I have found Ms. Munnell a real challenge and I am glad she is not at Social Security given some of the disagreements we have had in the past.

But I must say that in the work that we have done on the whole issue of generational equity—

The CHAIRMAN. Which you have been the leader in this committee.

Senator DURENBERGER. Yes. That having the challenge of a person with foresight and with genius and with the ability to take on politicians when they are sitting in an academic or other setting is something that I have always found wonderful. Not just the challenge of it, but the substantive contribution to my thinking. And to know that Ms. Munnell is now going to bring that same skill and that same ability and all of that background to public service, particularly in this job, is very, very pleasing to this Senator.

My statement says I am agnostic with respect to her views on racial discrimination by banks. And we have had disagreements on some other issue areas. But I cannot tell you, Mr. Chairman, and say to you and your family, Dr. Munnell, how pleased I personally am that you are willing to take this on.

Dr. MUNNELL. Thank you, Senator.

The CHAIRMAN. There was just the slightest suggestion that now that you work for us, you will be a little more gentle. [Laughter.]

Dr. MUNNELL. I am always gentle, Mr. Chairman.

The CHAIRMAN. But rarely indirect. [Laughter.]

Dr. MUNNELL. True.

The CHAIRMAN. Senator Chafee?

Senator CHAFEE. Thank you, Mr. Chairman. First of all, I am tremendously impressed by the quantity, and I am sure quality, of the publications that Dr. Munnell has produced, everything from Medicare to Social Security to veterans to Armenia.

I presume you spent some time in Armenia, did you?

Dr. MUNNELL. I did. I went there last May and spent 3 weeks. It was a very impressive experience for me.

Senator CHAFEE. I am not sure this is exactly in your forthcoming area, the area you are going into as Assistant Secretary for Economic Policy, but I would like to just briefly get your thoughts on an approach that I am interested in as far as the credit crunch—and how it affects small businesses.

There is not a Senator here who does not bemoan the credit crunch. The belief is, well, it is recurring. If you sit on the Banking Committee members upraid the regulators for permitting the S&L crisis to occur.

Members now complain that there were not adequate regulations or the Federal regulators were not doing a good job.

Then you go across the hall to the Small Business Committee and there members upraid the bankers for not being more rapid and generous, if you would, in the loans that they are making.

Why are you all tangled up in this paperwork? Why don't you get those loans out there to small businesses?

The President of the American Banking Association in testimony before the Small Business Committee said, well, I will tell you why we are not getting these loans out there. You look at page 7 of my testimony where there are 2½ pages of regulations that Congress has enacted, in the last 5 years. That is what is causing the credit crunch.

I, for one, for example, just refinanced a house the other day and I had to sign 43 times. And, obviously, somebody has to check to see if I signed 43 times; and the cost to that institution was sizable.



My question is this to you: Is there some need, and indeed I am trying to garnish support in the Congress for this, for Federal legislation to break the credit crunch? I support legislation to ease the regulatory burden on small banks, those with \$400 million or less in assets. Which by the way represents in numbers of banks something like 90 percent of the banks, or 10,000 of the 11,500 banks in the United States.

So one of my suggestions is that those small banks that have received a rating of "outstanding" in their community rating by the regulators will have what we might call a safe harbor. That for the next 3 years that groups will not be able to oppose that bank's expansion should it seek a new branch, or other expanded points.

The legislation, at the same time, would also require those banks who receive the lowest rating—"substantial noncompliance"—would be subject to a fine of \$20,000.

Now what do you think of that approach, sort of a carrot and a stick and rewarding somebody who under this Community Reinvestment Act? By the way, everybody does not get outstanding. I have been informed that about 10 percent of the banks get outstanding.

Dr. MUNNELL. Let me start by saying that within Treasury banking issues fall under the purview of Frank Newman. Now my advisors would always tell me to stop right there. But I am from Boston and that is the major area that has suffered from the credit crunch and lived through 2 years of banks being concerned about regulators, small business people claiming they cannot get loans. And it was a very serious problem.

I think that paperwork is a major problem. The Clinton administration is committed to trying to make it simpler and to break this credit crunch to the extent possible. As far as your specific proposal, I will take that back to Frank Newman and discuss it with him.

I would make just one comment on that point. We would have to improve the nature of the CRA examinations. At this point you are likely to get a bad grade if you do not have your map up. And there is too much emphasis, I think, on form and too little on substance.

If we got the grading right, then it might be quite useful to think of giving people some sort of relief. I will go back and discuss it with him.

Senator CHAFEE. Could I have one more brief question?

The CHAIRMAN. That is what we are here for.

Senator CHAFEE. Let me try another one on you. I am asking you because you have been involved in this area. You know something about the Community Reinvestment Act.

Dr. MUNNELL. Yes.

Senator CHAFEE. And have been dealing with it. Another suggestion is to relieve the paperwork burdens on small banks—only to small banks. Maybe it should apply to big banks, but I am only applying it to small banks.

Currently if the collateral for a loan is real estate, anything above \$100,000 you have to get what they call a certified appraisal of it.

Dr. MUNNELL. Right.

Senator CHAFEE. Now that means you cannot use one of the people in your bank. You have to get somebody to come, a certified appraiser. That costs money. It also takes time. So I propose raising that threshold from \$100,000 to \$250,000.

The CHAIRMAN. That is sort of past the average house.

Senator CHAFEE. That is right. You know, there is nothing magic about the \$250,000 but certainly the \$100,000 is too low.

Dr. MUNNELL. I know that Frank Newman and the domestic finance people have been looking at this issue. I even thought there was a proposal. People are very concerned about this. So it is definitely under consideration.

Senator CHAFEE. All right. Well, I will not carry it any further. But it just seems to me that what we have here, Mr. Chairman, is a classic conflict in views. There are many of us who strongly feel that the way to get this credit crunch solved is to get the banks out there lending money again and to relieve them of this paperwork that has grown to astronomical proportions.

I mean, if you have to sign 43 times—as I did—to get a refinancing of your house, something is wrong. So that is one approach.

The other approach is that what we ought to do is get the SBA out there lending more of the government's money. That, as you know, is part of the stimulus package. It is my view that at least let us go as far as we can in encouraging these banks to get out there and do what they are meant to do before we have Federal Government money, and Federal institutions, namely the SBA, going out and doing what banks should be doing.

Well, this gives me a chance to get up on a platform. I appreciate your giving me the chance to voice these concerns.

The CHAIRMAN. And you note the learning process. She answered your first question in great detail. [Laughter.]

Your second question somewhat and your third question not at all.

Senator CHAFEE. I thought that was a very smooth handover to Mr. Newman.

The CHAIRMAN. The executive branch.

Senator CHAFEE. Who is not present. [Laughter.]

But it was well done and we are glad you are here and glad you have been nominated for this position.

Dr. MUNNELL. Thank you, Senator.

The CHAIRMAN. Thank you, Senator Chafee.

Senator Grassley?

Senator GRASSLEY. Thank you, Mr. Chairman. I am going to put a statement in the record. I have some questions, but I want a statement in the record.

The CHAIRMAN. Which we will place in the record, of course.

[The prepared statement of Senator Grassley appears in the appendix.]

Senator GRASSLEY. Thank you.

I want to make a note of the fact that you came by to visit with me and I make note of the fact you are very well qualified and I do not have any dispute about that. But as we visited in my office I wanted to talk with you about some of those issues involving pensions.

I want to focus on those here because some of the pension fund managers and others in my state interested in pension and retirement income policy more generally have expressed concern to me about some of the things that you have published with respect to the taxation of pension funds.

Would you give us a summary or resume of your views on this general subject and tell us how your views on this subject would figure into your work as Assistant Secretary?

Dr. MUNNELL. Yes.

Senator CHAFEE. Could I just briefly interrupt one minute, Mr. Chairman. I have to go. I notice we have a very distinguished member of the House to speak on behalf of the next nominee and I am sorry to miss his presentation and her presentation. So if you would excuse me.

The CHAIRMAN. Thank you, Senator.

Senator GRASSLEY. Please.

Dr. MUNNELL. I wrote an article that was published in the Federal Reserve Bank of Boston's New England Economic Review. It was an article that I originally wrote in response to a request by the American Law Institute—American Bar Association for a conference that they were having on pensions. I was given the title of, "Has the Time Come to Tax Pensions on a Current Basis," and that is the topic I explored within that article.

In that article I looked at the arguments for deferral and I looked at the arguments for taxation and came out at that time for taxing on a current basis. Unfortunately, in that article as I went back and read the article last night, I said to myself, "to crystalize the issue," I found more crystal than I had ever anticipated.

A transition proposal was suggested by a British Actuary that would involve a one-time levy on pension fund assets. I did not support that particular levy in the article. I do not support that particular levy now.

In terms of whether pensions should be taxed currently or deferred, that is a topic that economists have debated for a long period of time. It is really whether you want to have an income tax or a consumption tax. It is a legitimate source of inquiry.

It does not fall within my purview at Treasury. It is not a priority for the tax people within Treasury or Secretary Bentsen for sure, for the Clinton administration, nor for me. So I would be very surprised if would figure into my work at all during my tenure.

Senator GRASSLEY. There has been some talk about using private pension funds for infrastructure investment. In the event that we move in this direction, should this infrastructure investment option be a voluntary one for pension fund managers or a mandatory one? And what kinds of safeguards would there have to be to protect the retirement income potential of the funds? I would like to have your views on both of those questions.

Dr. MUNNELL. On that particular issue, I do not know what the Clinton administration position is. So I will just have to tell you my position. It stems from an analysis that I did about 10 years ago. It is a very conservative position.

What I looked at at that time was public pension funds investment in housing. Each State had an interest in investing in housing in that particular state. What I found was that once pension



fund managers took their eyes off the prize, which was taking their eye off the goal of getting the highest return and taking social considerations into account, they forewent a lot of return. That meant that either the taxpayers were going to have to pay more in the future or the pension fund recipients were going to have to get lower benefits.

I am very cautious and concerned about the notion of social investment with pension fund money.

Senator GRASSLEY. So then you are going to leave that to pension fund managers to make that decision?

Dr. MUNNELL. I am going to make arguments on that side within the administration. I may win; I may lose.

Senator GRASSLEY. As you know, many of us in Congress, and of course many knowledgeable people that are in the private pension community, believe that pension plan coverage could be expanded by simplifying the pension rules. Do you have any views on that?

Dr. MUNNELL. My concern, and I do not draw to attention back to that article which we have moved away from, is the decline in pension fund coverage. I think that once we get by health care, once we get by the economic plan, and a host of other issues, that we really are going to have to relook at retirement income security.

I think the decline in pension coverage is a serious problem. Pensions are not doing the job that we think they should be doing. The paperwork certainly has contributed to that. I think that when it comes to exploring that problem we are going to have to look at a whole range of options to improve income security for the elderly.

Senator GRASSLEY. Mr. Chairman, I thank you very much for my time with the candidate. I yield the floor. I am going to be in and out. I am across the hall at the Executive Meeting of Judiciary. So I will be in and out.

The CHAIRMAN. We thank you very much for coming, sir.

Before you leave, may I just note that the Congress established in 1991 a Commission to Promote Investment in America's Infrastructure, which was composed of some very able persons. I would hope that it has a view about using pension funds for infrastructure investment which is not meant to suggest these are less than acceptable risks. To the contrary, they are public investments.

Perhaps you will take a look at this.

Dr. MUNNELL. I actually have seen that. I forgot for a minute that that was your position, Mr. Chairman. [Laughter.]

The CHAIRMAN. The Commission's position which raised the question. I would take the—

Senator GRASSLEY. As the chairman sometimes says, we could be in a majority someday. [Laughter.]

The CHAIRMAN. Two questions that Senator Durenberger and Senator Grassley suggested and I do not want to keep others waiting, particularly our distinguished colleague from the House.

But one of the large issues that seems to me to be around in terms of retirement and pensions is the integrity of the Social Security system. We have a system that has been in place for half a century. More now. It has been paying benefits since 1940, retirement benefits.

The majority of nonretired adults do not think they will get Social Security. This has not bothered anybody in the Social Security

Administration, which has not been very energetic of late. We have had about 12 Commissioners in the last 17 years. The Social Security Commissioner position is vacant since last September and nobody in this administration seems any bit interested at all. Why would you have it?

We are reaching the point where, if you take the actuarial work of Robert Myers, and who does not, he was there at the creation in 1934, that the return for the higher level income people will not equal their investment. It came very suddenly.

Simultaneously, if there is one issue of social economic policy which seems to me the Federal Government has not addressed, it is this. In 1977, we in effect put the Social Security trust funds on a partially funded basis, moved from a pay-as-you-go to a partially funded basis, and nobody said anything about it.

Let me be very upfront. I was a member of the Committee of Conference.

Dr. MUNNELL. Right.

The CHAIRMAN. I signed the conference papers doing this. I did not know we were doing this. In the early 1980's Myers walked me through it for the 40th time and it began to sink in, that there was an immense surplus in prospect.

Surplus, to give you the sense of it, that would buy the New York Stock Exchange. Then we had a thoroughly irresponsible statement by the Director of Office Management and Budget in 1981 who said we face the prospect of the world's largest bankruptcy in a year's time, referring to a very slight dip in the funds.

Whereupon, the surplus came on line. And nobody in Treasury, even though the Secretary of the Treasury is the Chairman of the Social Security Trustees, ever said this is what we should do with the surplus. Not just a little bit of pension funds, about \$5 trillion worth of pension funds, the equivalent of the stock exchange.

And we continue. We are now using that surplus as though it were general revenue. And its status as retirement monies to be treated in certain ways or trust fund monies for certain benefits is being lost.

In the tax bill we are going to have to put together here in the next few days, the administration has proposed that we raise \$29 billion by taking off the cap on wages subject to hospital insurance taxes, which is a pure use of the hospital insurance trust fund for general revenue. It makes the distribution table look better and so forth.

We are losing any sense of that money as money you have to treat specially. Is there any prospect that we might get a review of the decision? The National Economic Commission said in 1989 on this side, there were two divided reports, said either save the trust fund or go back to pay-as-you-go. We did neither. We just continued to spend it.

Now the present administration has confirmed the judgment that this money should be used as general revenue. And it has exacerbated it by raising the tax for purposes of getting at higher income persons.

Do you want to comment on that?

Dr. MUNNELL. I have the sense I am only going to get into trouble here.

The CHAIRMAN. No. But I mean is it not the case that when we went to pay——

Dr. MUNNELL. Everything you said is correct.

The CHAIRMAN. That is good. [Laughter.]

Dr. MUNNELL. As you know, Senator, I have always viewed the Social Security system as sort of the jewel and the crown of the government. It is a superb program. It is a tragedy in my view that people are uncertain that they are going to get benefits. They will get benefits in the future.

I, like you, have been very skeptical of this build up in the trust fund, pointing out that it is being used to cover current expenditures. I do not think that the saving rationale was the original rationale, but it turned into a rationale and then it disappeared very quickly.

My personal sense of things is that when health care reform comes along that there is going to have to be some thinking of the Medicare financing and perhaps maybe some reallocation between OASDI and HI. But that is my personal assessment.

The CHAIRMAN. Well, fair enough. You know, someone ought to write a book on what happened in 1977, how you can make that big of decision and keep it a secret.

Dr. MUNNELL. Right.

The CHAIRMAN. The CIA could not keep anything like that a secret.

Dr. MUNNELL. Right.

The CHAIRMAN. I guess the answer is, if you want to keep it a secret, publish it in a 400-page bill.

The last thing to say, I note that you wrote a review essay of the work by Baumol and Blackman on productivity in "American Leadership for the American Prospect, and also Lawrence Lindsay's book, "The Growth Experiment: How the New Tax Policy is Forming in the U.S. Economy."

Baumol is a pretty powerful person in our present context, is he not, the whole notion of cost disease? He gave a paper last Friday at the 250th anniversary meeting of the American Philosophical Society in Philadelphia on health care.

He said that if you take the concept, accept the concept of Baumol's disease and that productivity has different impacts in different sectors and so relative costs change, he said that the issue in the matter of health care is not what the level of costs is, but what the rate of growth is.

And that the rate of growth in the United States—and this I say to my colleague who knows much more about the subject than I—that we are about in the middle of the range of growth rates for the industrial nation, which suggests that nothing much is going to change that because they all have been just as enterprising as we and have much more simple legislated processes.

So he particularly warned against promising more than we can deliver. Would you want to comment on that? Probably you ought not.

Dr. MUNNELL. Thank you, Mr. Chairman. As you know, the Clinton administration is in the process right now of look at this very contentious issue. And it is the most complicated issue I have ever

seen. We are looking both at the level and at the rate of change and they are both thorny problems.

The CHAIRMAN. But the rate of growth is, in fact, in the middle of the range of industrialization.

Dr. MUNNELL. That is a really interesting observation. Because you are right, most people have been focusing on the level.

The CHAIRMAN. Yes, it is not the level, it is rate of growth.

Dr. MUNNELL. Yes.

The CHAIRMAN. That gets you where you are going. That is your future. And Baumol's disease holds that—well, as you know, Baumol was an opera fan, he and his wife are opera fans. He got interested in the 1960's 3in why was the Metropolitan Opera always broke and why was the Metropolitan Orchestra always on strike. Before he figured it all out, he came up with the realization that the productivity in some sectors just does not grow.

Dr. MUNNELL. Right.

The CHAIRMAN. And if you had a Mozart quartet in 1780 it took four persons, and four stringed instruments, and 43 minutes. And two centuries go by and it takes four persons, and four stringed instruments, and 43 minutes.

And if you look at a doctor examining a well baby, it takes 14 minutes. It always has and it always will. This is why the costs of tuition go up, why the costs of medicine go up, and why other things go down.

And if your growth rate is about in the middle of the industrial world, it means you are doing about average. What do you think of that?

Senator DURENBERGER. Well, Mr. Chairman, this is not the place to debate the issue. I would just make an observation about the example you used on the 14 minutes to examine an average child. The difference, take this example, and expand it, is that some doctors are seeing a child once or twice or three times as appropriate and some are seeing that same child five or six or seven or eight or more times, for a variety of inappropriate reasons. I think that is the real challenge.

The CHAIRMAN. I think Baumol might argue, but you make those changes on the margin. The basic problem is cost and the relative productivity.

You are going to keep an eye on that issue for us, are you not?

Dr. MUNNELL. I am going to try to keep an eye on all issues.

The CHAIRMAN. This is your last moment.

Dr. MUNNELL. Yes.

The CHAIRMAN. Well, we are delighted. As you can see, we have kept you longer than we have done and we have kept other persons waiting. Thank you very much, Dr. Munnell, and we will get to your nomination directly as you can see.

Dr. MUNNELL. Thank you, Mr. Chairman. Thank you, Senator Durenberger.

The CHAIRMAN. And now for the third time this morning, we have the honor of having a distinguished member, a colleague and friend, from the Committee on Ways and Means who is here to introduce Ms. Richardson, who will be our nominee for Commissioner of the Internal Revenue.



Mr. Pickle, will you come forward, sir. It is an honor to have you before us and we are conscious of having kept you waiting. Let us put an end to that by stating that it is our great pleasure to have you over here.

**STATEMENT OF HON. J.J. PICKLE, A U.S. REPRESENTATIVE  
FROM TEXAS**

Congressman PICKLE. Well, Senator, I certainly thank you for receiving me before you and the members of the committee. I am very pleased to be here with you this morning. I am mindful of your time constraints, and I am very pleased to be able to present to you the nominee- designate for the Internal Revenue Service Commission, Mrs. Peggy Richardson.

She is a partner in the Washington, DC office of the Atlanta firm of Sutherland, Asbill & Brennan. She specializes in tax and insurance regulatory law and her practice involves representing clients in planning matters, administrative and rulemaking proceedings, litigation, and legislation.

You have her record before you. So I will not recall the various honors and the various individuals and agencies she has represented. But I want to leave that with you.

But let me comment about Mrs. Richardson personally. Originally, she was born in Waco, TX.

The CHAIRMAN. I thought you would get to that first. [Laughter.]

Congressman PICKLE. But she graduated from Vassar with honors and then became a practicing attorney, and has been very active in Internal Revenue Service work for years.

Now as chairman of the Oversight Committee in the House of Representatives, I have seen five or six different Commissioners in my time come before us and each worked and labored effectively to try to represent that agency.

I have the feeling that Mrs. Richardson has the capabilities and the prospects of becoming one of the outstanding IRS Commissioners we have had. I think I know something about the kind of individual because that is our committee's jurisdiction, the Internal Revenue Service.

I will go back a little further, Senator, when Mrs. Richardson was a clerk in the Court of Claims for Judge Phillip Nichols, who you knew and who was appointed by President Johnson, I had a member of my family who was also clerking for another judge at the same time. So our relationship goes back a long time and I have had occasion to watch her over the years. She comes well qualified with an impressive background.

Now let me conclude by saying this to you. In my judgment, the United States faces a crucial time now in the administration of our tax system. We may be at a crossroads. Today the number of filers is going down. Today we are encumbered with having old equipment. And though we have pledged some \$20 billion over a period of 5 years, we know that we must work with haste because our system is so antiquated.

We know that a lot of people are not filing and we know that the American people are using every means it seems to not pay taxes. Now we either have to make our system work or else we will be going to some other kind of a tax revenue system. While that is not

the problem before this committee this morning, at the same time the person who occupies the Commissioner's position has got to give strong leadership.

It is my conviction that Mrs. Richardson can administer that Agency with clarity and with force and with vision. I think it is terribly important at this time. So she not only will be representing the American taxpayers, but I hope she can make them realize that we are a fortunate country to have a volunteer system, and that it has to be protected. I think she is qualified and will maintain that kind of leadership.

So I am proud to present her to you this morning and to members of the committee.

The CHAIRMAN. We are very grateful to you, sir. No one has been more concerned on this matter than yourself, no one more vigilant in the Oversight Committee. Your statement is elementally—that is the issue. That is the issue and we are very pleased that you could come.

The CHAIRMAN. Senator Durenberger, do you want to welcome?

Senator DURENBERGER. Mr. Chairman, I do want to welcome the nominee and I sure want to welcome Jake Pickle. It is always a pleasure to see Mr. Pickle here.

But let me say I have had the pleasure of meeting with Ms. Richardson, and particularly the group of us who were involved in going to help the President implement his income-contingent loan program, we are impressed by not only her willingness to look at the role of the IRS which we have never been able to get from any past administration, but her interest in some of the policy issues that were involved and the appropriateness to the borrowers and to higher education access generally of finding a more efficient way to provide access to higher education particularly for more middle income Americans.

So I find her to be more than a tax collector. That is a pleasure.

The CHAIRMAN. Mrs. Richardson, you are doing very well so far. Thank you. [Laughter.]

Mr. Chairman, you are very generous to come over, sir.

Congressman PICKLE. Senator, I thank you very much. Let me conclude by saying to you I will express my personal appreciation to you because I can go back to a time when we were struggling with the Social Security program back in 1983.

I was the chairman of the committee over in the House and you were very active in the Senate and I attribute to you personally the responsibility and the achievement of getting that bill passed. So we thank you for that, too.

The CHAIRMAN. You are very generous, sir.

Congressman PICKLE. Thank you.

The CHAIRMAN. Mrs. Richardson, I believe that your husband and daughter and parents are here. Would you perhaps have the kindness to produce them.

Mrs. RICHARDSON. My husband, John Richardson is behind me.

The CHAIRMAN. Good morning, sir.

Mrs. RICHARDSON. And my daughter, Margaret Richardson, who is a student of politics or would like to be.

The CHAIRMAN. Margaret, good morning. We welcome you.



Mrs. RICHARDSON. My mother and father, Jim and Margaret Milner are also here.

The CHAIRMAN. How very nice of you, all the way from Waco.

Mrs. MILNER. No, no. We live here now.

The CHAIRMAN. You live here now.

Mrs. RICHARDSON. And I have a nephew, Mark Richardson, and a sister-in-law, Sheila Richardson, who are also here.

The CHAIRMAN. Good morning. Good morning to all of you. You can proceed exactly as you wish. We welcome you.

**STATEMENT OF MARGARET MILNER RICHARDSON,  
NOMINATED TO BE COMMISSIONER OF INTERNAL REVENUE**

Mrs. RICHARDSON. Thank you very much. Mr. Chairman and distinguished members of the Senate Finance Committee, I am honored to appear before you today as President Clinton's nominee for Commissioner of Internal Revenue. I am especially appreciative that Congressman Pickle could take time out of his busy schedule to introduce me.

As he mentioned, we have long been friends and I have a long relationship with his family. He has been a strong supporter of the Internal Revenue Service over the years, and the guidance he has provided has been invaluable. As head of our Oversight Committee, I look forward to working with him.

I have also enjoyed the opportunity to meet informally with many members of this committee, particularly you, Mr. Chairman, and you, Senator Durenberger.

I want to thank President Clinton for nominating me and for indicating his faith in me; and I also thank Secretary Bentsen for his support and endorsement. As you all know, the Secretary is a wonderful public servant and he is a pleasure to work with at the Treasury. If I am confirmed, I will have that opportunity.

My association with the Internal Revenue Service, as Congressman Pickle mentioned, goes back, goes back almost 24 years when I joined the Office of Chief Counsel as an attorney. I have been involved in the tax field ever since.

My experiences have made me aware, not only of the tremendous challenges that face the Internal Revenue Service, but also of the many outstanding and dedicated employees who will be there to help me address those challenges. I think that they are among the finest people I have ever had the pleasure to know, and I really look forward to having the opportunity to work with them if I am confirmed.

The Service is facing a number of challenges in a decade that I think will produce a number of changes. To meet those challenges, we are going to have to modernize our equipment, revamp our organizational structure, and really expand our quality efforts.

If I am confirmed, I am committed to working with you, with the Clinton administration, with the employees at the Internal Revenue Service, and with taxpayers to assure that all of their needs are met.

We have over 115,000 employees at the Internal Revenue Service and they touch the lives of almost every person in this country. For that reason, my top priority, if I am confirmed, will be to encourage and speed up the efforts that have been underway at the IRS and

are now underway in the rest of the executive branch to reinvent the way we do business, by putting people first.

We will do so at the IRS by trying to serve taxpayers, by promoting integrity among our employees and fostering excellence among those employees.

Alicia mentioned that the Social Security system was the jewel in the crown. I think that our voluntary compliance system is also that. We really have a system that is the envy of the rest of the world.

The CHAIRMAN. It is a treasure. But the question is, are they appreciated?

Mrs. RICHARDSON. Absolutely.

I think that the preservation of that system, while we try to increase compliance beyond today's levels, will require that taxpayers are treated fairly and equitably and that they also have a tax system that is as simple and understandable as possible.

I will work tirelessly, as I mentioned to you, Mr. Chairman, to assure that the taxpayers' treatment, as well as their perception of their treatment, is fair and equitable.

If I am confirmed, I would like to work with you and with your colleagues and with my colleagues at Treasury to help develop a simpler and more easily administrable tax system. I hope that you will feel free to consult with us to enact laws that are easy for taxpayers to understand and easy for us to administer.

I believe that all of us have a stake in the outcome of that system. And I think that if we do not succeed we will see our treasure disappear. Your support, your oversight, and your suggestions as we attempt to meet the challenges of the future will be necessary, and I can assure you they will be most appreciated.

On a more personal note, I really would like to thank my family and my friends for their support and encouragement. My parents, whom you have just met, have throughout my life encouraged me to do nothing less than my best. They truly instilled in me a commitment to public service, as well as the notion that I could achieve anything or be anything I wanted to if I was willing to work hard enough.

My husband, who is also here, has offered me not only his support and encouragement during the past 25 years of marriage, but also his sage counsel. My daughter, Margaret, who is definitely my proudest accomplishment, has great insight and suggested I "go for it" when I had the opportunity to accept this job.

I am grateful to have a wonderful family and friends and also for the opportunity to return to public service. I ask for your support for my confirmation and I appreciate the opportunity to appear today. I would be happy to try to answer any questions.

[The prepared statement of Mrs. Richardson appears in the appendix.]

The CHAIRMAN. Well, you surely have our support, Ms. Richardson.

Well, there are two questions. One is, Representative Pickle mentioned that the number of filers is declining. Would you give us a metric there? What is going on that you sense? What is the feeling, the perception?

Mrs. RICHARDSON. I will have to provide you with the specific facts and figures.

The CHAIRMAN. Will you do that.

Mrs. RICHARDSON. I certainly will.

[The following information was subsequently received for the record:]

Mr. Chairman, the total number of returns filed has increased each year. For example, from 1989 to 1992, the number of individual income tax returns filed increased from 110 to 115 million. However, we believe the number of non-filers has increased as well. We know that the number of non-filer cases identified by the Service has increased due to the significant expansion in third party information return documents (i.e., Forms W-2 and 1099) received and matched against taxpayer data in IRS' computer files. Our current reports indicate that there are about 10 million non-filer cases in inventory this year. To meet this workload, the Service has implemented a two-year initiative to reduce the growth on non-filer cases by redirecting 2000 revenue agents and tax auditors to complement almost 4000 Collection employees working non-filer cases during fiscal years 1993 and 1994.

Mrs. RICHARDSON. There is a sense that the number of non-filers has been going up.

The CHAIRMAN. Persons who ought to file.

Mrs. RICHARDSON. Yes.

The CHAIRMAN. But do not.

Mrs. RICHARDSON. And, unfortunately, some of them are people in professions—in the medical profession, lawyers, accountants—people who really should be paying and are not.

We have a major effort underway now to try to bring those people back into the system. I will be happy to get you the numbers.

The CHAIRMAN. Annually or periodically you audit a sample of returns just to see how compliance looks.

Mrs. RICHARDSON. Right.

The CHAIRMAN. Now that audit has been running fairly stable, has it not?

Mrs. RICHARDSON. Well, the terms of the actual audits where a revenue agent actually goes out and meets with people, the actual numbers have declined.

The CHAIRMAN. No, I mean a sample to just see—

Mrs. RICHARDSON. A sampling.

The CHAIRMAN. Just to know how well the filing goes and people seem to be pretty good at estimating what they owe. The percentage who pay less than what they owe is about equal to the people who pay more. Am I wrong in this?

Mrs. RICHARDSON. No, I think that is correct.

The CHAIRMAN. But if you are concerned you are going to tell us?

Mrs. RICHARDSON. Yes, we will tell you.

The CHAIRMAN. I just would like to say that one of the things that all of us, clearly, have been less than vigilant about is the question of the payment of Social Security employer taxes and in some cases unemployment taxes, which is part of the Social Security Act, for a domestic service and part-time work in households.

This has emerged as a very serious problem. I do not think any of us has distinguished any institution. It has distinguished itself. The Social Security Administration never brought it to this committee. The IRS did mention it and we did have some changes in H.R. 11 on this. But we are now going to have to devise a solution.



We look up and we find a huge problem of noncompliance and we act as if it wasn't any problem. It turned out to be one.

We are going to hear from you on what you think we ought to do. We are going to have to legislate. How do you feel this should go? How do you want to go about this?

Mrs. RICHARDSON. I feel a little like Alicia, perhaps I should wait until I am confirmed before I comment.

The CHAIRMAN. Well, yes. Do not hesitate to do.

Mrs. RICHARDSON. Yes, you will be hearing from us. It is a subject of great concern to this administration, as you know. President Clinton has written a letter recently to Senator Biden trying to simplify the system.

The CHAIRMAN. It would have done no harm to send a letter to this committee, you know, as we will pass the legislation.

Mr. Levy is coming up next. We will let him know that this is the committee where these things are done.

Mrs. RICHARDSON. He will look forward to hearing it from you. I think we obviously want to assure that the broadest number of workers are covered. But I think there are administrative burdens that sometimes are imposed at the level of coverage where the requirements are today.

So I think finding the right amount of wages that should be subject to coverage is what we really need to work with.

The CHAIRMAN. If I could just offer a personal judgment, we want to make sure that people who work in cleaning or whatever, 1 day a week for five people, are not left out of Social Security because they are not paid over a particular threshold.

Frances Perkins would have said that these are exactly the people you want to cover.

Mrs. RICHARDSON. Precisely.

The CHAIRMAN. And we often do not know that it is in their best interest to do. I mean, that is what a large system is for.

At the same time, I do not think we want to get into the business of recording young Margaret when she goes babysitting next door. She has time enough to participate in the system.

Mrs. RICHARDSON. She has a number. You are required to have a number by the time you are two now.

The CHAIRMAN. At birth. Yes, you cannot get vaccinated without a Social Security number. But those sort of informal chores that young perform as part of growing up, and a nice part. We do not want to have them too much worried about whether they were clocked. But there is a balance.

Mrs. RICHARDSON. There is.

The CHAIRMAN. Maybe the cutoff is age, for all I want. But I mean we hope you will think about this and help it.

Mrs. RICHARDSON. It is definitely uppermost in our thoughts and I think you have really hit on what some of the important issues are. We need to have a balance between covering workers who ought to be covered, and not imposing an onerous burden on people such as Margaret who probably needs to learn how to work and should be rewarded in some way for it.

The CHAIRMAN. Sure. And it helps you with the bills, too, right? Senator Durenberger?

Senator DURENBERGER. Mr. Chairman, I am going to apologize to you for having to leave this pointful and go down and be bipartisan on health care just a bit.

But I must ask Ms. Richardson, on the issue of income contingent loans, without debating in any ways the merits of the President's proposal versus other proposals, I wonder if you might at least leave us with the impression of the advantages there are to having the calculation on annual loan payments done by the IRS versus somebody else who has to come to the IRS for information and some of those kinds of issues that have been raised.

Mrs. RICHARDSON. I think our feeling was that if we were going to ultimately be asked to participate in collecting the student loans, we would like to be involved at the front end, as I mentioned to you and Senator Simon, in trying to help structure the system.

Too often in recent years the IRS has been asked to collect debts when frankly they are probably pretty close to being uncollectible. We feel that with the income-contingent loans, we were really in an excellent position to collect them and incorporate that as a service to the borrower by providing an opportunity for withholding when someone works for an employer.

It could be done fairly simply. We are in the process of modernizing our systems. By the time the program gets underway, we feel that we could devise a system that would not be onerous either to employers or to borrowers.

I cannot tell you that all the details have been worked out. There are a number of details that we need to really think through with the Department of Education. But I think that we can make a system that is workable and will benefit and provide fiscal responsibility and soundness to the student loan system.

Senator DURENBERGER. Well, my observation is, and I say this for the benefit of the chairman who has been involved in so many other issues, that were we presenting this only on this side of the Congress, it might be a less complicated process.

But because on the House side we have several committees of jurisdiction, one with the IRS and another with Education, the framework of the legislation is a little bit more complicated.

But Ms. Richardson's reply indicates the fact that the administration and the President has already anticipated this event, and involved the IRS in the design and structure of this.

Even though it does not meet all the legislative policy requirements of an ideal approach, it is really going to get us closer to the productivity or efficiency that we need in this instance. Instead of just burying their heads in the sand of this issue as the previous administration has done, the Secretary and the Commissioner designate have decided that if this is the way the President wants to go, then we ought to do it in a way that makes sense, that is going to save money, and also initially in the draft of the bill, accommodates itself to some of the jurisdictional divisions here on the Hill.

I compliment the President, the Secretary and certainly the designee and wholeheartedly endorse her.

The CHAIRMAN. Fine. We very much appreciate those remarks. I am sure Ms. Richardson does.

Mrs. RICHARDSON. Thank you very much.

The CHAIRMAN. That is a note on which to say thank you very much. We will hear from you and we expect to do. These questions are very active, social and political questions, and we look forward to your judgment as the Secretary wants to pass it forward.

Mrs. RICHARDSON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Ms. Richardson.

[The questions of Senators Danforth and Wallop appear in the appendix.]

The CHAIRMAN. Now we have yet another distinguished nominee who is going to be introduced by a colleague and friend of the Senators on this committee, particularly this Senator, Representative Peter Geren of Texas is here to introduce Dr. Levy.

I might take the personal privilege of saying how much we enjoyed working together with you, sir, on the Surface Transportation Conference in 1991. You must have had—God, there were about 70 of us, were there not? And yet something coherent came out of it all.

Congressman GEREN. That is what we are still trying to prove.

The CHAIRMAN. We are still trying to prove. The President went down to Texas to sign the bill, which is a tribute to Army, if not necessarily to you, sir.

Good morning.

#### STATEMENT OF HON. PETE GEREN, A U.S. REPRESENTATIVE FROM TEXAS

Congressman GEREN. Good morning, Mr. Chairman. Thank you. I appreciate very much the opportunity to come before you today and this committee and just reflect for a moment the last time we spent a great deal of time together when we were locked in a bus in the rain at DFW airport, waiting for the praetorian guard to let us go witness the ceremony of the signing of the ISTEA bill. That was one of the moments of my Congressional career I will always remember.

Mr. Chairman, I am very pleased that I have the opportunity to be here today and share with this nominee's family and many friends in this room this great occasion. I had the privilege of knowing Mike Levy for many years. I have worked with him professionally and know him personally.

It really is just a personal thrill for me to be able to be a part of this. It was great to see his parents here and his wife and son. This is a wonderful occasion and I am honored to be a part of it, only a small part.

I can tell you from my personal knowledge of Michael Levy, and I know that many people in this room know him well also, that he is qualified by temperament and by experience and above all by character to serve our country in this post. Yet he is no stranger to this room or to this committee.

He has served as administrative assistant to Senator Lloyd Bentsen. It was over the years working together on many projects under the leadership of Senator Bentsen that we have had the opportunity to work together.

He also served as an economist on the Joint Economic Committee. He also has a very distinguished academic background. He was a tenured professor at Texas A&M University. Now if Jake Pickle



were here he might take exception to that qualification and might raise it as a grounds for disqualification. But as Mr. Pickle is one of the most avid supporters of Texas A&M's greatest rival, the University of Texas.

But Michael has a very distinguished academic career, a tenured professor. He is published very widely on many of the issues that are in front of us as a government and in front of us as a Congress. I know that in this job he will serve us well.

For the last 3 months, he has served as the Assistant Secretary for Legislative Affairs and I know that in this capacity, subject to the confirmation of this body, as Deputy Under Secretary he will continue to serve with great distinction.

I will just say the one reservation I would like to offer up, I know next to his devotion to his family, there is nothing he loves better to do than to fish. I do not know this as a fact, but I would guess that over the last 3 months he has not wet a hook and I have a feeling that if this Senate does what it should do and confirms him he might as well go ahead and put his fishing equipment into the garage sale.

The CHAIRMAN. Alas. But, sir, you do know the story, the account, rather that Ambassador Straus tells of the discussion between the Yale man and the Harvard man and the Texas aggie about the world's most important invention. The Yale man thought the world's most important invention was the splitting of the atom, which gave us forth the secrets of matter. The Harvard man said he thought the most important event was the rocket that took man to the moon and took him off the surface of the earth. The Texas aggie said he thought the most important invention in the history of the world was the Thermos bottle. [Laughter.]

The others said, well, it is good but why is it so great? And the Texas Aggie said, well, what do you mean? You take hot coffee, you pour it in and open it up hours later it is hot. You put ice cold tea in there, open it up hours later it is cold.

The other fellows said, well, that is good, but why is it so great? The Aggie replied, well, how does the Thermos know? [Laughter.]

And so you see there are defendants——

Congressman GEREN. I am sorry that Congressman Jake Pickle is not still here and had a chance to hear that joke. I am afraid we would hear that over and over.

The CHAIRMAN. It is very good of you to come here, sir, and we thank you very much for your generosity with your time. We will take care of Dr. Levy.

Congressman GEREN. Thank you, Mr. Chairman. I appreciate it very much.

Michael, congratulations to you.

The CHAIRMAN. Dr. Levy, I believe you have some family with you here.

Dr. LEVY. I do, indeed.

My wife, Bonny; my son, Jonathan; and my mother, Ruth Levy; and my father, Stanley Levy, who have joined us from Baltimore today.

The CHAIRMAN. Well, good morning to all of you, and particularly to you, Jonathan. Jonathan, stand up. There you are. The Finance Committee welcomes you.

Dr. Levy?

**STATEMENT OF MICHAEL LEVY, NOMINATED TO BE DEPUTY  
UNDER SECRETARY FOR LEGISLATIVE AFFAIRS**

Dr. LEVY. Thank you, Mr. Chairman. Thank you, Congressman Geren, my former Senate Staff colleague and good friend.

I feel especially fortunate to be joined here today by members of my family. My son and my wife have endured irregular hours and an erratic schedule for the years I was a Hill staffer. They have gotten no respite since I came to the executive branch. And to all of my family, without their example, their support and their patience, I would not be here today. I am more grateful and more blessed than they will ever know.

I am most grateful to President Clinton for the honor of nominating me and Secretary Bentsen for selecting me. The 6 years that I served as Senator Lloyd Bentsen's Administrative Assistant were extraordinary ones. I am deeply grateful for the opportunity he has given me to once again serve him and our country. His leadership and integrity continue to inspire all of us who have worked under his guidance.

If I am confirmed as the Assistant Secretary for Legislative Affairs, it will be my job to ensure that your concerns and your views are fully considered before the Treasury takes any action or drafts any legislation. It will also be my job to make certain that Treasury's views are adequately communicated to Members of Congress, whether on issues of taxes, banking, trade or enforcement.

While each of us shares President Clinton's goals of increasing economic growth, reducing the generational burden of debt and creating better jobs and higher wages for America's families, we will not always agree on the means to achieve these goals.

It is my goal, therefore, to make certain these differences are the result of firmly held views and not avoidable failures of communication. Our founding fathers created a republic designed to act prudently and slowly. The system of checks and balances and separation of powers which they constructed was an extraordinary innovation and continues to distinguished our republic and form of government from most of our democratic friends and allies.

The separation between the executive and legislative branches was intended by our founders to put distance between two functions of government. It was not intended to create an unbreachable gulf between the two ends of Pennsylvania Avenue.

Our political system works best when there is a popular consensus around the core group of issues and when there is strong communication between these two branches of government.

As someone who has spent many years working in the Congress, and with the staff and members of this committee, I can assure you that if confirmed, I will take this responsibility with the utmost seriousness. I have learned that wisdom does not reside solely in one branch of government, in one political party, nor always even in government itself.

A constant and open exchange of ideas is essential if we as a nation are to arrive at the best course of action. I hope that I can contribute at least in some small way to that exchange of ideas.

Again, Mr. Chairman, I thank you for the opportunity to come before this committee today and for your cooperation in allowing all the Treasury's nominees to appear before this committee on a very timely basis.

I would be delighted to answer any questions you might have.

[The prepared statement of Dr. Levy appears in the appendix.]

The CHAIRMAN. Well, it is scarcely for us to inquire on any of your views on these matters. You have been a friend of all of us for the longest while.

I do want to make one suggestion. It is no more than that. But one of the troubles you were mentioning, the design of the American Constitution. And it was designed to create conflict between the branches, but not stalemate. It was what Madison referred to as the new science of politics. It was not just an accident.

The founders said, why do we think this republic can endure given the fugitive existence of the republics of ancient Greece and Rome. And Madison said, well, we have a new science of politics. We do not think people are particularly virtuous. We think they are kind of the opposite.

But we will set up a system of checks and balances to make up for—it is a wonderful phrase—the defect of better motives. And this worked pretty well for the longest time. But in the last three administrations it has not been working at all.

It turns out we cannot control our spending and we cannot control our indebtedness. Maybe our spending is not our problem, but our taxing. But either way, we have seen the national debt, which was about \$800-some billion in 1980, after two centuries, suddenly rocket to \$4 trillion in three Presidential terms and now it is scheduled to go to \$5 trillion.

Interest on the debt is the the second largest item in the budget. The system is not working suddenly, a system that did very well. Why?

Dr. LEVY. It is difficult to say, Mr. Chairman.

The CHAIRMAN. If it were easy, I would not ask you; would I?

Dr. LEVY. You might. I might be able to answer it more easily. Some would argue that divided government along parties lines has made it more difficult.

There is no doubt that Madison, who you rightly cite as someone who thought there was a defect of virtue and that we had to harness human nature which he——

The CHAIRMAN. A defect of better motive.

Dr. LEVY. That is correct. He believed that virtue remained important in a republic, but it was in and of itself insufficient to protect liberty. His concern was to protect liberty, not to infuse motion into the system. And if anything because of the rise of many, many complex and diverse interests that Madison in the Tenth Federalist Paper foresaw, but I think he probably did not foresee quite the number and the diversity that we have today, the system is even more complex. Although we do preserve liberty, it is quite difficult for us to promote action.

When we do act, it is when the nation has been stirred to a vision and when there is strong leadership in the executive branch that can help us overcome what are inevitably centipedal forces in our body politics.



The CHAIRMAN. In 1974, Nelson Rockefeller resigned as Governor of New York after 15 years to head a Commission on Critical Choices for America, anticipating the bicentennial. I was asked to be a member and I was asked to write a paper, which I was looking at a while ago, on the subject of critical choices.

I find myself having written that there are two critical choices that we faced. One is how much government did we want and the other one is how much growth did we want. And that our rhetoric asserted, and almost without exception, that we wanted less government and more growth.

But, in fact, we repeatedly opted for more government and less growth. That was in the peaceable stable times of 1974. Here we are in 1993 talking not less growth, but certainly talking more government, talking adding \$1 trillion of debt in 4 years.

A job like yours is an important job to the extent—and it is an important job and you will make it one—to the extent that you ask yourself about these things. I would hope you will resist what has become a very bad practice of an administration presenting data to the Congress which is not reliable, which foresees events coming out better than they ever do.

We have a whole budgetary projection process, that began to be corrupted in the 1980's. Would you agree? You do not have to agree.

Dr. LEVY. I think that data collection has been politicized in the government and it is unhealthy because too often we work off of different data sets and they are arrayed in different ways. And sometimes it is difficult to ask the appropriate question when the data is arrayed in a certain way. That may not have always been by accident.

More is done by accident than we can ever imagine.

The CHAIRMAN. Well, yes.

Dr. LEVY. But nonetheless some things are not done by accident and I would argue that at times there has been design behind that.

The CHAIRMAN. And you do not like that?

Dr. LEVY. No, I do not like it for a variety of reasons. I do not like it in my first life as a scholar. I did not like it as a staffer trying to understand the truth of the matter. And, frankly, I think it makes the coordination between—it makes dialogue difficult because often times—

The CHAIRMAN. All right. And you will, if you encounter it, you will not hesitate to come to this committee and tell it so. Right?

Dr. LEVY. If I encounter it, I will certainly speak to people about it and do my best in a wide variety of places to make a change.

The CHAIRMAN. Good. Thank you very much, sir. Dr. Levy stay where you are for just a moment. Just let ask you to be a little more—you said if you hear about it, you will speak to the persons involved. That is a responsible answer because you are not going to come rushing up here complaining about your administration.

But I would hope you would take this injunction with something more than an aside. If data collection has been politicized to some extent, if the analysis of data has been politicized, I mean has become partisan, then the confidence of this system starts running out.

Dr. LEVY. I agree completely, Mr. Chairman.



The CHAIRMAN. I mean, it is not something you are supposed to be, you know, casual about. You have to have a little fire in your belly about it.

Dr. LEVY. I must say, I have seen no example of that since I have been in the Treasury or in the administration.

The CHAIRMAN. Okay. There have been 30 Budget Directors since Charles G. Dawes under President Harding and I have known 19 of them. Back in the 1950's and 1960's and into the 1970's, it was out of the question that a Budget Director would make or offer a projection of revenue that he did not think was defensible.

Nobody would ask it, no one would—it was not possible. From the onset of the Budget Act in 1974, these things have changed. OMB is less of an institution than it was. Treasury can be expected to participate in what turned out in the 1980's to be outrageous miscalculations or misstatements. The result was a bad performance by a nation that finds itself in trouble and checks and balances that the framers talked about have been superseded by the absolute stalemate of fiscal necessity.

It came about in a manner that does not do much credit to the people who were there at the time, nor any great credit to the Congress. Or even—well, I will not go further.

So we expect you to—you raised the subject, so I am responding to you. We expect you to care about this as a scholar and as a person who has been confirmed by this committee for a position of high trust and honor.

Dr. LEVY. I take that responsibility, sir.

The CHAIRMAN. Thank you, Dr. Levy. Thank you all. Now, Jonathan, did you get that? Good.

Finally, Jeffrey Shafer of New Jersey who has been nominated by the President to be the Deputy Under Secretary of the Treasury. Dr. Shafer, we welcome you, sir. As you have just been voted on.

Dr. SHAFER. Yes, Mr. Chairman, I am aware of being accorded the same honor that my new boss, Secretary Bentsen, was accorded by this committee.

The CHAIRMAN. That is exactly right. That speaks very well of you. You just flew in this morning from the Philippines, did you not?

Dr. SHAFER. That is correct.

The CHAIRMAN. And your mind is still working that well?

Dr. SHAFER. I hope so. I am not sure what day it is.

The CHAIRMAN. I am glad we confirmed you. I believe Mrs. Shafer is here.

Dr. SHAFER. Yes, my wife, Mary Lou, is here.

The CHAIRMAN. Good morning, Mrs. Shafer, is a pleasure to have you in the committee room.

Sir, would you proceed just as you desire?

#### **STATEMENT OF JEFFREY RICHARD SHAFER, NOMINATED TO BE DEPUTY UNDER SECRETARY FOR INTERNATIONAL AFFAIRS**

Dr. SHAFER. Mr. Chairman, I would be quite happy to ask that my statement be put in the record.

The CHAIRMAN. Of course.

Dr. SHAFER. I can dispense with that and answer any questions you may have for me.

The CHAIRMAN. The statement will be placed in the record. We are under just a little pressure of time.

[The prepared statement of Dr. Shafer appears in the appendix.]

The CHAIRMAN. We are working on the tax bill and trying to find our way through it.

You are going to be responsible for international affairs, principally?

Dr. SHAFER. That is correct.

The CHAIRMAN. What are you going to tell us about the state of things? Why is the world in a recession everywhere but South China?

I was sitting next to the wife of the Chinese Ambassador last night at the opening of the Freer Gallery and a gentleman from Hong Kong was there. Everywhere in the world is in a recession except for South China and I guess not the United States.

Dr. SHAFER. Well, South China and the region around it. I have just returned from the Asian Development Bank meetings and the countries in that entire region are, in fact, continuing to do quite well.

We are, I believe, coming out of a recession in this country and in Canada.

The CHAIRMAN. Well, hasn't the National Bureau of Economic Research decreed to that?

Dr. SHAFER. I am not sure whether they meant to decree it, but if the numbers hold up, they should.

The CHAIRMAN. The dating committee said the recession—

Dr. SHAFER. They always lag behind. They should date it from sometime last year.

But in any event, it is happening. It is not in Europe. And, in fact, the overall economic situation of industrial countries is not as strong as it should be. One of our priorities in which the Secretary and Larry Summers have been putting a lot of energy, and in which I want to support them, is to improve the coordination process among the major industrial countries in order to try to turn around this economic performance, which in fact has been rather lackluster for several years.

The CHAIRMAN. They must have a feeling over there—and this is an idle question, obviously—but maybe they did not know as much as everyone thought we did.

Dr. SHAFER. Well, economics is not an easy subject, and maybe we do not know as much as we sometimes pretend to know. It is a problem, I think, of having ignored a number of difficulties, different ones in different countries, that have left us with difficult adjustment problems.

You referred earlier to the need to control the budget process and the budget deficit in this country. Neglecting that for a number of years, I think, is one of the reasons that we have gone through a bit of a difficult patch. Capital formation is not as strong as it should be, and underlying economic growth is not as strong as it should be.

In other parts of the world, there are different kinds of problems. In fact, if you look at Europe, there are many countries there with

the same kinds of budget deficit problems that we have built up in this country.

The CHAIRMAN. Yes.

Dr. SHAFER. There are some things that are just difficult to do. Clearly, the process of German unification has been a major stress on the German economy and created strains for Europe as a whole in trying to adjust to that very large shock.

We believe, however, that the best way to get past these difficulties and get back on the strong growth path is to work together to find the right mix and then to monitor policies.

The CHAIRMAN. There you are. Because if you had to have a shock, German unification is not the worse kind.

Dr. SHAFER. No, it is not. And certainly not only for the Eastern Germans but for Western Europe and the world as a whole. Once we adapt to that, the world is going to be a better, more prosperous place for us.

The CHAIRMAN. A safer place. I just speak for myself. But the prospects of us getting into the block confrontations on trade and economic business of the 1930's must be recognized. You know, the Balkan wars are back so we must not assume that such trade policies cannot return as well.

Dr. SHAFER. It is a very serious concern. As you know, I have come back to serve my government again, having spent a number of years at the OECD, which was funded on the principle that an open trading system is a means to prosperity for everybody.

The CHAIRMAN. Founded by the United States, which believed it, and then brought to Europe which was not sure.

Dr. SHAFER. That is right. And that is also true for the liberalization of capital flows as well. It is what we have stood for. It is why the completion of the Uruguay Round with some real content in it is among the highest international priorities of the Clinton administration.

The CHAIRMAN. Well, we could not ask. Just go out there and get it. Sign it. Take care of intellectual property. Bring it back and we will pass it. Is that agreed?

Dr. SHAFER. We will do what we can. Yes.

The CHAIRMAN. Thank you very much for being so wide awake. Even if you do not know what day it is, you seem to know what time it is and that is all that matters.

Dr. SHAFER. Thank you.

The CHAIRMAN. We congratulate you, Dr. Shafer, Mrs. Shafer. We look forward to having you back in Washington after all that too fancy French food.

Dr. SHAFER. Thank you.

The CHAIRMAN. Thank you all.

[Whereupon, at 11:48 a.m., the hearing was adjourned.]

[The questions of Senator Brown appear in the appendix.]





# APPENDIX

## ADDITIONAL MATERIAL SUBMITTED

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### PREPARED STATEMENT OF SENATOR DAVE DURENBERGER

Mr. Chairman, I think Secretary Bentsen has put together a superb team; probably the best team supporting any cabinet secretary. Today we are hearing from key members of that team—people who will be advising him, dealing with members of this Committee, and, perhaps most important, administering the nation's tax laws.

I would hasten to add that the best intentions and the best qualifications don't necessarily lead to the best policies—and have very serious problems with the thrust of the economic policies being put out by this Administration. But we should encourage the President, and the Secretary, to elicit the help of the best possible people, and join our battles on the merits of the policies that are sent up.

And so I welcome all of the nominees today. I have had a chance to get to know most of them either in their previous positions or in recent visits in my office.

Because one of the nominees has attracted particular attention, I want to speak briefly to her qualifications and my high regard for her.

Alicia Munnell and I got to know one another about a decade ago during my work with Americans for Generational Equity. I called on her for advice on the economic status of the elderly, on inter-generational income transfers, and on income security policy more generally. During that time we disagreed on some issues—we may, in fact, have disagreed more than we agreed.

But I always found her to be honest, open, and straightforward in her dealings with me and with anyone else she dealt with.

I disagree with Alicia Munnell's academic writings on the taxation of pension funds. And I am agnostic on her findings with respect to racial discrimination by banks, which have attracted some vigorous methodological criticism.

But I don't think we have to worry that she will subvert the Administration's decision processes to push her personal policy positions.

Alicia Munnell is an academic and public servant of integrity and ability, and should the Senate confirm her—and I am confident it will—we'd be acting in the Nation's best interest.

I'd also like to speak for just one moment on the nominee for Commissioner of Internal Revenue, Peggy Richardson.

Mr. Chairman, beyond all the current responsibilities that the new Commissioner will assume, I want to call attention to one area of *expanded* responsibility that I'm hoping the IRS *will be* taking on over the next several years.

That new responsibility would involve the IRS in collecting student loans that have their payments adjusted each year according to each borrower's income.

Senators Simon, Bradley, and I have been working on this concept for the last several years and we have a powerful new ally in President Clinton who unveiled his own plan for a total overhaul of student loan programs last week in New Orleans.

Under the President's proposal, the IRS would begin its involvement in income-contingent loan repayment by sharing current income information with the Department of Education for those student borrowers who choose income-contingent loan repayment. The Secretaries of the Treasury and Education would also have to come up with a plan over the next year for a more direct IRS role in calculating loan payments and actually collecting student loans.

Senator Simon and I met with Ms. Richardson shortly after her nomination by the President and we discussed this matter with her. Mr. Chairman, I want to say publicly this morning how pleased I was with the new Commissioner's positive,

"can-do" attitude about taking this responsibility on, in addition to all the other responsibilities the IRS must carry out.

I'm looking forward to continuing that dialogue, Mr. Chairman, once this confirmation process is concluded. A lot of issues will be debated and resolved before the IRS takes this on.

Without meaning any disrespect to Ms. Richardson's predecessors, it makes all the difference in the world to have somebody in charge who's looking for ways to make things work. There is a very big bureaucracy down there at IRS, as you know, having been part of it. And they will always tell you a hundred and one reasons why something just can't be done. Sometimes they're right—every idea isn't a great one—but I hope you will continue to exercise your own considered judgment and to maintain your positive attitude.

\* \* \*

Mr. Chairman, I would like to indicate for the record my strong support for the confirmation of George J. Weise, nominee for Commissioner of the U.S. Customs Service.

First, I would like to commend the Clinton Administration for choosing a candidate who not only has impeccable credentials in the whole area of international trade, but who has also worked so many years on issues and policy related to Customs law throughout his extensive government service. He not only is well known to all of us here through his work as Staff Director of the Trade Subcommittee of the Ways and Means Committee, but he has actually served in the trenches at the Customs Service as an Import Specialist. Import Specialists are the field employees who deal with complicated tariff classification issues. Service through that kind of position would certainly have given Mr. Weise an added dimension that few others would have. Mr. Weise also worked on the many intricacies of the tariff schedules at the International Trade Commission. He has been closely involved in Customs law and policy throughout his entire career.

At Ways and Means, Mr. Weise has had an excellent record in promoting effective trade policy, in crafting complicated compromises on many contentious trade issues and has also exhibited the kind of management and leadership skills which are so important for a manager of such a large government bureaucracy.

Mr. Weise has a strong interest in the business side of Customs, which certain former Commissioners have chosen to ignore in favor of the sexier drug enforcement responsibilities of Customs. All of us with sizable international trade communities know the importance of the proper emphasis on the business side of the Agency's portfolio.

Mr. Chairman, I am delighted that a man of Mr. Weise's experience and character has been nominated for this position. I have confidence that he will serve us well. I strongly support his confirmation and urge the support of my colleagues as well.

#### PREPARED STATEMENT OF SENATOR CHARLES E. GRASSLEY

Thank you, Mr. Chairman.

I would like to welcome Dr. Munnell to the Finance Committee. I am looking forward to learning more about her views on the issues with which she will deal in the position for which she has been nominated.

I will be one of those who will have questions for her that some of my constituents have been asking, in particular with respect to her views on the possible taxation of pension funds, and her views on the use of pension funds for infrastructure investment.

I should note that I had an opportunity to speak with her in my office several weeks ago. At that time, we had a good discussion of this and other issues. I want her to know I appreciated the opportunity to speak with her about them.

I think she will understand that it is important to air these issues in a public setting, and so will understand why I want to raise some of the same issues we discussed in private in this hearing.

I believe that she is a very well-qualified candidate for this post. She has had a distinguished career as an economist, as a vice-president of the Federal Reserve in Boston, as a scholar and analyst who has published many articles and a number of books. She has been very interested in pension policy and social welfare policy more generally and I think it is safe to say she is a recognized authority in a number of those policy areas.

I am particularly interested in her views on pension policy, as I noted. Some of the things she has written have been a cause for concern in some quarters. As I

understand it, in the position to which she would be nominated she would not have *direct* authority over pension issues or the Pension Benefit Guaranty Corporation. Nevertheless, she will be in the inner councils at Treasury and will be one of the most knowledgeable senior officials on pension policy and, therefore, her views on this subject will be important.

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#### PREPARED STATEMENT OF MICHAEL B. LEVY

Thank you Chairman Moynihan, Senator Packwood, and Members of the Committee. It is an honor to be before you today. Having served in a staff capacity in the U.S. Senate for nearly eight years, I must say that sitting before you today is an experience that I never anticipated.

I am especially fortunate to be joined today by members of my family. I would like to recognize and thank my parents, Ruth and Stanley Levy, who came here today from Baltimore, and my son Jonathan and wife Bonny. For years, they have endured the irregular hours and erratic schedule of a Hill staffer. And they are getting no respite since I have moved to the Executive Branch. Without their support and patience, I could not come before you today.

I must begin by thanking President Clinton for the honor of nominating me, and Secretary Bentsen for selecting me.

The six years that I served as Senator Lloyd Bentsen's Administrative Assistant were extraordinary ones. And I am deeply gratified by the opportunity he has given me to once again serve him and our country in the Department of the Treasury.

The Office of Legislative Affairs in the Department of Treasury is the link between the Department and the United States Congress. If I am confirmed as the Assistant Secretary, it will be my job to ensure that your concerns and views are fully considered before any Treasury action is taken or any legislation drafted.

It also will be my job to make certain that Treasury's views are adequately communicated to Members of Congress, whether on issues of taxes, banking, trade, or enforcement.

No doubt, there will be times when the Treasury's position on an issue will differ from that of some Members of Congress. While each of us shares President Clinton's goals of increasing economic growth, reducing the generational burden of debt, and creating higher value added jobs and wages, there will not always be consensus on the means to achieve those goals. It is my goal, however, to make certain that those differences are the result of firmly held views, and not avoidable failures of communication.

Our Founding Fathers created a Republic whose government was designed to act prudently and slowly. The system of checks and balances and Separation of Powers which they constructed was an extraordinary innovation in the history of free institutions, and continues to distinguish our Republic from most of our democratic friends and allies.

But if the separation between the Executive and Legislative branches was intended by our Founders to put distance between two functions of government, it was not intended to create an unbreachable gulf between the two ends of Pennsylvania Avenue.

Our political system works best when there is a popular consensus on a core group of issues, and when there is strong communication between these two branches of government. As someone who has spent many years working in the Congress, and working with so many Members of this Committee, I can assure you that, if confirmed, I will take this responsibility with the utmost seriousness.

I hold a deep love for the United States Senate, and the Congress as a whole. I have learned that wisdom does not reside solely in one branch of government, in one political party nor in government itself. In short, a constant exchange of ideas is essential if we are to arrive at the best course of action. I hope that I can contribute, at least in some small way, to foster that exchange.

Again Mr. Chairman, thank you for the opportunity to come before this committee today, and for your tremendous cooperation in allowing all of the Treasury's nominees to appear before this committee on a very timely basis.

I would be delighted to answer any questions that you might have.

*The White House,*

19

*To the*

*Senate of the United States.*

*I nominate*

Michael B. Levy, of Texas, to be

a Deputy Under Secretary of the Treasury, vice Mary

Catherine Sophos, resigned.

**WILLIAM J. CLINTON**



RESPONSE TO INFORMATION REQUESTED OF NOMINEES  
BY  
UNITED STATES SENATE  
COMMITTEE ON FINANCE

NOMINEE: Michael B. Levy

NOMINATED FOR: ASSISTANT SECRETARY ( Legislative Affairs )  
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name: Michael B. Levy
2. Address: 208 9th St. SE  
Washington, D.C. 20003
3. Date and place of birth: 7/12/47  
Baltimore, Maryland
4. Marital status: Married, Bonny B. Wolf ( maiden and  
married name)
5. Names and ages of children: Jonathan Wolf Levy, 11
6. Education: Phd. Rutgers University, 1970  
BA Brown University, 1969
7. Employment record:
  - 1993- Deputy Assistant Secretary,  
Legislative Affairs, Treasury  
( temporary, non-career SES )
  - 1987-1993 Administrative Assistant,  
U.S. Senator Lloyd Bentsen
  - 1986-1993 Adjunct Instructor,  
Georgetown University
  - 1985-1987 Economist, Joint Economic  
Committee
  - 1984-1985 Associate Professor,  
Political Science, Texas  
A&M University (tenured)
  - 1978-1984 Assistant Professor,  
Political Science, Texas  
A&M University
  - 1977-1978 Instructor, University  
College, Rutgers  
University
  - 1973- 1976 Teaching Assistant,  
Rutgers College, Rutgers  
University
  - 1969- 1972 Social Studies  
Teacher/Coach, Loyola  
High School, Baltimore  
Maryland

8. Government experience: See Above

9. Memberships: None

10. Political affiliations and activities: 1969-1973 Executive Committee, New Democratic Coalition, Baltimore Maryland; 1984-Issues Director, Dan Kubiak for Congress, College Station, Texas; 1988, Bentsen for Senate, volunteer; Dukakis/Bentsen, volunteer.

I have made some small contributions over the years, but I can not remember to whom. I have no records of such.

11. Honors and Awards: Deans Honors List, Brown University  
R.J. Reynolds Fellow for Southern High  
School Teachers  
University Bevier Fellow, Rutgers  
University  
Outstanding Dissertation, Department of  
Political Science, Rutgers  
University, 1979

12. Published Writings: See Attached

#### PUBLICATIONS AND PROFESSIONAL WRITINGS

*Handbook of Political Theory and Policy Sciences*,  
Edited with Edward Portis, Greenwood Press, 1989.

*Political Thought in America: An Anthology*; Dorsey Press,  
March 1982; second edition, 1988. Reprinted in 1992. Text used  
in universities and colleges throughout the United States,  
Canada, and Australia. Translated into Chinese and used in the  
first course on American political thought taught in contemporary  
China.

*The Liberal Future in America: Essays in Renewal*; Edited  
with Philip Abbott, Greenwood Press, June 1985.

"John Stuart Mill's Stationary State and the Transcendence  
of Liberalism;" *Polity*, vol. XIV, 2, Winter 1981; reprinted and  
translated in Gregory Claeys ed., *Der Soziale Liberalismus John  
Stuart Mills*, "Mills Stadium des Stillstands und die Transzendenz  
des Liberalismus," Nomos Verlags Gesellschaft: Baden-Baden, 1987.

"Freedom Property and the Levellers: The Case of John  
Lilburne;" *Western Political Quarterly*. vol. 36, 1, 1983.

"Liberal Egalitarianism and Inherited Wealth;" *Political  
Theory*, vol. 11, 4, Nov. 1983.

"Illiberal Liberalism: The 'New Property' as Strategy;"  
*Review of Politics*, vol. XIV, 2, October 1983.

"Liberalism, Self-Interest and Social Choice;" *Polity*, vol.  
XVII, 2, Winter 1984.

"Political Theory and Policy Sciences;" *Administration and  
Policy Journal*, Spring 1988.

Book review of Philip Abbott's *Furious Fancies: Post Liberal  
Thought in America*, in *Journal of Politics*, vol. 45, 2, May 1983.

Book review of Jennifer Hochschild's *What's Fair: American Beliefs About Distributive Justice* in *Journal of Politics*, vol. 45, 2, May 1983.

Book review of George Wills' *Statecraft as Soulcraft: What Governments Do* in the *Bryan-College Station Eagle*, Sept. 3, 1983.

Book review of Michael Novack's *The Spirit of Democratic Capitalism* in the *Journal of Rural Sociology*, Winter 1985.

"1984 Revisited" in the *Bryan-College Station Eagle*, Oct. 22, 1983.

"John Stuart Mill and the Autonomy of Economic Science," paper delivered at meetings of the Midwestern Political Science Association, April 1979.

"Liberalism, Inherited Wealth and the Functional Theory of Property," paper delivered at meetings of the Midwestern Political Science Association, April 1980.

"John Lilburne's Millenarian Religion and the Leveller Theory of Property," paper delivered at meetings of the Midwestern Political Science Association, April 1981.

"Liberal Egalitarianism and 'New Property' Entitlements: Critical Reflections," paper delivered at meetings of the Southwestern Social Science Association, March 1982.

"The Right to Own, the Right to Bequeath: An Internal Critique of Entitlement Theory," paper delivered at meetings of the Midwestern Political Science Association, April 1983.

13. Speeches: None

14. Qualifications: I have seven years of experience on Capitol Hill, and have worked on many of the issues I will work on in the Treasury as Administrative Assistant to Senator Bentsen.



United States

**Office of Government Ethics**

1201 New York Avenue, NW., Suite 500

Washington, DC 20005-3917

April 30, 1993

The Honorable Daniel P. Moynihan  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510-6200

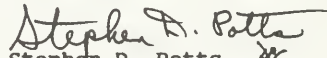
Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Michael B. Levy, who has been nominated by President Clinton for the position of Assistant Secretary for Legislative Affairs at the Department of Treasury.

We have reviewed the report and have also obtained advice from the Department of Treasury concerning any possible conflict in light of its functions and the nominee's proposed duties.

Based thereon, we believe that Mr. Levy is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

  
Stephen D. Potts  
Director



## PREPARED STATEMENT OF ALICIA H. MUNNELL

I appear before you today as President Clinton's nominee for Assistant Secretary of the Treasury for Economic Policy. It is an honor to have been nominated and to be here.

If I am confirmed, I look forward to serving President Clinton and Secretary Bentsen and to working with all the members of the Committee on the critical economic challenges that face the United States today.

President Clinton has proposed a bold plan to revitalize the American economy and Congress has adopted the broad architecture of the plan. The strategy is to improve the living standards for us and for our children by investing in America's future. Investment is the only way to reverse the dismal underlying trends of slow productivity growth and stagnant incomes. The President proposes both to increase direct government investment and to free up resources, through deficit reduction, for private investment.

The Treasury Department as an institution will be central to implementing the Economic Plan and Secretary Bentsen, as the Administration's chief economic spokesperson, has and will continue to play a key role in developing the economic agenda.

The Assistant Secretary for Economic Policy is charged with helping the Secretary of the Treasury execute this assignment. In this position, the Assistant Secretary also has the opportunity to further a variety of Administration goals through participation in interagency task forces. Although these broad responsibilities encompass many specific tasks, I would like to focus on four aspects of the job today.

The bread and butter of this job is economic forecasting. This involves working with the Council of Economic Advisers and the Office of Management and Budget (OMB) to construct the Administration's economic forecast. This forecast is prepared twice each year and is used extensively by all departments for internal planning and budget projections. The economic forecasting responsibility also involves interpreting new economic data as they are released and assessing their implications for the outlook.

The forecasting aspect of the job would be daunting for anyone not expert in this area, except for the fact that the Treasury has an impressive career staff. These individuals have been monitoring the economy for a long line of Republican and Democratic Administrations, and offers great wisdom and historical perspective in interpreting economic developments. With this help, the Assistant Secretary can provide Secretary Bentsen the information he needs to be the President's leading spokesperson on the economy.

The second task of the Assistant Secretary is to evaluate the economic consequences of various policy alternatives. Such analysis includes estimating the job and income effects of regulatory changes, new or reduced government spending, and other fiscal decisions. This task often means working with the Tax Policy staff to evaluate the impact of specific revenue provisions on employment or on particular industries, or with the folks in Domestic Finance to figure out the implications of a particular financial reform. This type of analysis is essential to ensuring sensible proposals.

The third task of the Assistant Secretary for Economic Policy is collecting and analyzing information on the United States' position and flows of portfolio investment capital. This information is increasingly important as capital markets become more inter-connected and vast sums of monies travel across borders with increasing speed and frequency. We are presently conducting an outbound portfolio investment survey which will be the first comprehensive survey of portfolio investment in fifty years. This information will provide valuable data on foreign tax havens and other portfolio capital repositories.

Finally, the Assistant Secretary for Economic Policy represents the Treasury Department in a variety of forums both within and outside government. The Clinton Administration is committed to an interagency approach to developing policy solutions. Sometimes, the experience feels very much like being in graduate school, taking seminars in health care reform, infrastructure financing, dislocated workers, welfare reform and a host of other subjects. But this ability to participate and contribute to a wide range of policy formation is a major attraction of the job.

In conclusion, I believe the Office of Economic Policy should serve as the Treasury Department's internal consulting arm, providing studies and evaluations not only to the Secretary but also to other offices within Treasury. Furthermore, without an institutional stake in other Departments' programs, Treasury representatives can serve as honest brokers on interagency task forces, addressing a wide range of policy issues. The Office of Economic Policy is staffed with extremely competent career professionals eager to provide rigorous and objective economic analysis.

I am pleased and honored to be here at the request of President Clinton and Secretary Bentsen. If confirmed, I look forward to leading this Office and working with all of you.

Thank you very much.

\* \* \*

**RESPONSE TO INFORMATION REQUESTED OF NOMINEES  
BY  
UNITED STATES SENATE  
COMMITTEE ON FINANCE**

**NOMINEE: ALICIA H. MUNNELL**

**NOMINATED FOR: ASSISTANT SECRETARY (ECONOMIC POLICY)  
DEPARTMENT OF THE TREASURY**

**A. BIOGRAPHICAL:**

1. Name: Alicia H. Munnell
2. Address: 6 West Cedar Street  
Boston, MA 02108  
  
Local: 3424 Prospect Street, N.W.  
Washington, D.C. 20007
3. Date and place of birth: 12/6/42, New York, NY
4. Marital status: Married

5. Names and ages of children: T. Clark Munnell, 26  
Hamilton H. Munnell, 24
  6. Education: Harvard University 1969-73 M.A., Ph.D.  
Boston University 1965-66 M.A.  
Wellesley College 1960-64 B.A.
  7. Employment record: See resume.
  8. Government experience: None.
  9. Memberships: See resume.
  10. Political affiliations and activities: Registered Democrat.
- Political contribution:
- |      |                 |         |
|------|-----------------|---------|
| 1992 | Bill Clinton    | \$500   |
| 1990 | John Kerry      | \$1,000 |
| 1988 | Michael Dukakis | \$500   |
11. Honors and Awards: See resume.
  12. Published Writings: See resume.
  13. Speeches: See resume.
  14. Qualifications: See resume.

ALICIA HAYDOCK MUNNELL  
6 West Cedar Street  
Boston, MA 02108  
(617) 720-4530

Federal Reserve Bank of Boston  
600 Atlantic Avenue  
Boston, Massachusetts 02106  
(617) 973-3385

#### WORK EXPERIENCE

- |              |   |
|--------------|---|
| 1993-present | U.S. Treasury Department<br>Deputy Assistant Secretary for Economic Policy                              |
| 1973-1993    | Federal Reserve Bank of Boston  |
| 1984-1993    | Senior Vice President and Director of Research  |
| 1979-1984    | Vice President and Economist  |
| 1976-1978    | Assistant Vice President and Economist  |
| 1973-1976    | Economist   |
| 1974         | Wellesley College, Assistant Professor of Economics   |
| 1971-1973    | Harvard University, Teaching Fellow in Economics Department   |
| 1966-1968    | The Brookings Institution, Economic Studies Program, Research Assistant for Joseph A. Pechman, Director |
| 1965-1966    | Boston University, Economics Department, Teaching Fellow  |
| 1964-1965    | New England Telephone Company, Business Research Division, Staff Assistant                              |

#### EDUCATION

- |      |   |
|------|---|
| 1973 | Harvard University, Ph.D. in Economics          |
| 1966 | Boston University, M.A. in Economics            |
| 1964 | Wellesley College, B.A. with major in Economics |

PROFESSIONAL ACTIVITIES

- 1992-present U.S. Army Corps of Engineers Workshop to Consider Issues of Federal Infrastructure Investments, Economic Growth and Productivity, Participant
- 1992-present The World Bank, Advisory Committee to the Study on Old Age Security Arrangements, Member
- 1989-present Massachusetts Institute of Technology, Economics Visiting Committee, Member
- 1987-present Institute of Medicine, National Academy of Sciences, Committee on Health and Human Rights, Member
- 1986-present Institute of Medicine, National Academy of Sciences, Member
- 1986-present International Institute of Public Finance, Member
- 1986-present National Academy of Social Insurance, Co-founder and President (1986-1990), Member
- 1985-present National Academy of Public Administration, Member
- 1981-present Boston Economic Club, Secretary-Treasurer (1986-1987), Vice President (1987-1988), President (1988-1989), Member
- 1979-present Pension Research Council, Wharton School of Finance and Commerce, University of Pennsylvania, Member
- 1992 International Monetary Fund, Technical Assistance Program, Consultant to Armenia
- 1992 Subcommittee on Retirement Income and Employment of the Select Committee on Aging, U.S. House of Representatives, Congressional Study Group on Women and Retirement, Participant
- 1991 American Economic Association, Nominating Committee, Member
- 1990 Advisory Council on Social Security, Technical Panel of Experts, Member
- 1988-1993 The American Prospect, Editorial Board, Member
- 1988-1989 Commission to Review Massachusetts Anti-Takeover Laws, Member
- 1988-1989 Program Committee for the December 1989 American Economic Association Meeting, Member
- 1987-1993 American Enterprise Institute, Advisory Council for "Economics and Politics of Fiscal Policy," Member
- 1987-1989 American Association of Retired Persons, National Steering Committee for "New Roles in Society," Member
- 1986-1987 Harvard University, Advisory Committee to the Consortium on Long-Term Care, Member
- 1985-1988 Ford Foundation, Research Advisory Committee for the Project on Social Welfare Policy and the American Future, Member
- 1984-1993 Pension Rights Center, Member of Board of Directors
- 1984-1987 Institute of Medicine, National Academy of Sciences, Committee to Plan a Major Study of National Long-Term Care Policies, Member
- 1984-1987 Medicare Working Group, Division of Health Policy Research and Education, Harvard University, Member
- 1984-1986 Carnegie Commission on College Retirement, Member
- 1984 Supervisory Panel, The Forum Institute of the Villers Foundation, Member
- 1984 The Government Research Corporation, Private Sector Retirement Security and U.S. Tax Policy Roundtable Discussions, Participant



1980-1984	Advisory Board for the National Aging Policy Center on Income Maintenance, Brandeis University, Member
1980-1982	Advisory Group to the National Commission for Employment Policy, Member
1978-1981	Advisory Committee for Urban Institute HUD Grant on State-Local Pensions, Member
1978	National Planning Association, Joint Committee on Public Pensions, Staff Director
1976-1982	Massachusetts Retirement Law Commission, Member
1976	Special Funding Advisory Committee for Massachusetts Pensions
1975	Governor's Task Force on Unemployment Compensation, Massachusetts, Member

#### HONORS AND AWARDS

Wellesley College Alumnae Achievement Award, Wellesley College, 1989  
Academy of Distinguished Alumni, Boston University, 1985  
Alumna Member of Phi Beta Kappa, Wellesley College, 1985

The Economics of Private Pensions: The Industrial Relations Section at Princeton University, "Outstanding Books in Industrial Relations and Labor Economics, 1983."

The Future of Social Security: The Library Journal, "Outstanding Business Books of the Year, 1977"; The Industrial Relations Section at Princeton University, "Outstanding Books in Industrial Relations and Labor Economics, 1977" and "1970-1979"; The Wright-Kulp Book Awards Committee, University of Texas, "Honorable Mention, 1979."

#### PUBLICATIONS

##### BOOKS

Pensions and the Economy: Sources, Uses, and Limitations of Data, Zvi Bodie and Alicia H. Munnell, eds. (University of Pennsylvania Press for the Pension Research Council, 1992).

Is There a Shortfall in Public Capital Investment? ed. (Federal Reserve Bank of Boston Conference Series No. 34, 1991).

Retirement and Public Policy, Proceedings of the Second Annual Conference of the National Academy of Social Insurance, ed. (Kendall-Hunt Publishing, 1991).

Massachusetts in the 1990s: The Role of State Government, Alicia H. Munnell and Lynn E. Browne with others (Federal Reserve Bank of Boston, Research Report No. 72, November 1990).

Lessons from the Income Maintenance Experiments, ed. (Federal Reserve Bank of Boston Conference Series No. 30, 1987).

The Economics of Private Pensions (The Brookings Institution, 1982).

Pensions for Public Employees (National Planning Association, 1979).

The Future of Social Security (The Brookings Institution, 1977).

Options for Fiscal Structure Reform in Massachusetts, co-author (Federal Reserve Bank of Boston, Research Report No. 57, March 1975).

The Impact of Social Security on Personal Saving (Ballinger Publishing Co., 1974).

##### CHAPTERS IN BOOKS

"American Lessons for Korean Pensions," Proceedings of the Symposium on "Micro-Social Issues in Korea," Korean-Pacific Program, Graduate School of International Relations and Pacific Studies, University of California at San Diego, June 25-27, 1992, Lawrence B. Krause and Funkoo Park, eds. (Korea Development Institute, forthcoming 1993).

"What Is the Impact of Pensions on Saving: The Need for Good Data," with Frederick O. Yohn, Pensions and the Economy: Sources, Uses, and Limitations of Data, Zvi Bodie and Alicia H. Munnell, eds. (University of Pennsylvania Press for the Pension Research Council, 1992). Also available as Pension Research Council, Working Paper Series No. 90-3 (1991), and Federal Reserve Bank of Boston, Working Paper Series No. 91-5 (1991).

"How Does Public Infrastructure Affect Regional Economic Performance?" with the assistance of Leah M. Cook, Is There a Shortfall in Public Capital Investment? Alicia H. Munnell, ed. (Federal Reserve Bank of Boston Conference Series No. 34, 1991).

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United States

**Office of Government Ethics**

1201 New York Avenue, NW., Suite 500

Washington, DC 20005-3917

April 23, 1993

The Honorable Daniel P. Moynihan  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510-6200

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Alicia H. Munnell, who has been nominated by President Clinton for the position of Assistant Secretary of the Treasury for Economic Policy.

We have reviewed the report and have also obtained advice from the Department of the Treasury concerning any possible conflict in light of its functions and the nominee's proposed duties. A summary of the agreements reached by Ms. Munnell and the Department are outlined in the enclosed letter dated April 20, 1993, from the Department's Designated Agency Ethics Official.

Based thereon, we believe that Ms. Munnell is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

A handwritten signature in dark ink, appearing to read "Stephen D. Potts".

Stephen D. Potts  
Director

## RESPONSES OF DR. MUNNELL TO QUESTIONS SUBMITTED BY SENATOR WALLOP

Q: I find troubling your statements that pension plans benefit high income taxpayers. I strongly doubt that my Wyoming constituents would agree with you. Do you think that pension plans benefit middle-class taxpayers.

A: Pension plans do, indeed, benefit middle-class taxpayers, probably to a much greater degree than they benefit high-income taxpayers. High income taxpayers often have accumulated substantial wealth and have alternative financial means beyond those of middle-income taxpayers. Nothing I have written was intended to question the value of pension plans to the middle class or to question the importance of individual thrift and self reliance. I was concerned with the fact that pension benefits are a trivial source of income for retirees in the bottom two-fifths of the income distribution, but my work was never intended to redress that imbalance at the expense of middle-class taxpayers or pension recipients. I deeply regret any impression to the contrary that may have arisen from press accounts of my original article on this subject.

My focus was on the efficiency and equity of the current taxation of qualified pension plans. In my article, I examined the issues in a critical manner but always with the objective of strengthening rather than weakening the present pension system. I recognize the importance pension plans have for the retirement planning of millions of Americans and the key role that pension funds play in our financial system.

Q: Would you please explain why you have proposed taxing the pension plan funds of all participants if you are concerned about the benefits accruing to the wealthiest taxpayers?

A: My article, published in the Federal Reserve Bank of Boston Research Review, was a contribution to a long-standing academic debate: should the U.S. have a consumption tax or an income tax? Exempting pensions from current taxation shifts the tax code in the direction of a consumption tax. There are strong arguments on both sides. However, if current pension contributions were included in the income tax base, then the U.S. could raise the same revenue with lower tax rates. Middle-income taxpayers would have their pension contributions taxed, but would also pay lower tax rates on the rest of their income. Because pension plans are more common and more generous among high-income workers, it is likely that the average taxpayer would pay less total tax if pension contributions were included in the tax base, and if the income tax were adjusted so that it still collected the same revenue.

Q: I understand that you would support taxing pension funds to pay for infrastructure or other types of government spending. Would you advocate or support a proposal of this type in the Administration?

A: Proposals have been put forth to use public and private pension funds to finance public infrastructure investment. I have always opposed these "social investment" efforts. Earlier research that I did on state pension fund investment in local housing revealed that once pension fund managers deviated from securing the highest return with the lowest risk, they lost income for the fund. Lower returns meant either that taxpayers would have to pay more or that beneficiaries would receive lower benefits. I think that pension fund managers should pursue the goal of securing the highest return at the lowest risk.

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## PREPARED STATEMENT OF MARGARET MILNER RICHARDSON

Mr. Chairman and Members of the Committee:

I am honored to appear before you today as President Clinton's nominee for Commissioner of Internal Revenue. I am especially appreciative that Congressman Pickle took time out of his busy schedule to introduce me. I have long been one of his admirers, and my friendship with him and his family goes back many years. I also want to thank Congressman Pickle for the strong support and guidance he has provided to the Internal Revenue Service over the years. If confirmed, I look forward to working with him as the Chairman of the Ways and Means Committee's Subcommittee on Oversight.

I have enjoyed the opportunity to meet informally with many of you prior to today, and I appreciate your having taken time from your busy schedules for those meetings. I thank President Clinton for nominating me, and I also want to thank Secretary Bentsen for his support and endorsement. I am grateful for the opportunity to work with him at the Treasury Department. He is a person of great integrity and his outstanding record of public service is an inspiration to those of us entering government service.

My association with the Internal Revenue Service began almost 24 years ago when I joined the Office of Chief Counsel as an attorney. I practiced law there for eight years before entering private practice. Recently, I served as a member and the Chair of the Internal Revenue Service Commissioner's Advisory Group. These experiences have made me aware not only of the tremendous challenges facing the Service but also of the many outstanding and dedicated employees there who will be helping me address those challenges. They are among the finest people I have had the pleasure to know, and I look forward to working with them.

The Service is facing a decade of great change. To meet the challenges facing tax administration, the Internal Revenue Service must completely modernize its equipment and systems, revamp its organizational structure, and expand its Total Quality efforts. If confirmed, I am committed to working with the Congress, the Clinton Administration, Internal Revenue Service employees, and taxpayers to assure that the needs of all taxpayers are met.

The more than 115,000 employees of the Internal Revenue Service touch the lives of almost everyone in this country. For that reason, my top priority, if confirmed, will be to encourage and speed up the efforts that are now underway at the Service (and throughout the Executive Branch) to reinvent the way we do business by putting people first. We will do so by serving taxpayers, promoting integrity, and fostering excellence among Internal Revenue Service employees.

We have a voluntary compliance system in this country that is the envy of the world. Preservation of that voluntary system, while increasing compliance beyond today's levels, will require that taxpayers not only be treated fairly and equitably, but also that they have a tax system that is as simple and understandable as possible. I will work tirelessly to assure that taxpayers' treatment as well as their perception of their treatment is fair and equitable. If I am confirmed, I would like to work with you and your colleagues, as well as my colleagues at the Treasury Department to develop a simpler and more easily administrable tax system. I hope that you will consult with us to enact laws that are easy for taxpayers to understand and easy for the Internal Revenue Service to administer. I believe that all of us -- the Congress, the Clinton Administration, tax practitioners,

and the public have a stake in the soundness of tax administration. We must ensure the right of each taxpayer to a fair and reasonable system of tax administration and the right of all taxpayers to a tax system where everyone pays his or her share. I look forward to working with you to achieve these goals.

Your support, your oversight, and your suggestions as we attempt to meet these challenges will be necessary and most appreciated.

On a more personal note, I would like to thank my family and friends for their support and encouragement. My parents, Margaret and Jim Milner, who are with me today, have throughout my life encouraged me to do nothing less than my best. They instilled in me a commitment to public service, as well as the notion that I could achieve anything or be anything that I desired if I were willing to work hard enough. My husband, John Richardson, who is also here today with our daughter Margaret, a junior in high school (and an aspiring student of politics!) has offered not only his support and encouragement over the past 25 years of marriage, but also his sage counsel. Margaret definitely is my proudest accomplishment. Her great insights -- well beyond her years -- and her keen sense of humor, in addition to her exhortations to "go for it, Mom" have been a special source of encouragement. I am particularly grateful to have such a wonderful family and friends and in addition to have the opportunity to serve my country again.

I would be pleased to answer any questions that you or the Members may have.

*The White House,*

19

*To the*

*Senate of the United States.*

*I nominate*

Margaret Milner Richardson, of

Texas, to be Commissioner of Internal Revenue, vice

Shirley D. Peterson, resigned.

**WILLIAM J. CLINTON**

RESPONSE TO INFORMATION REQUESTED OF NOMINEES  
BY  
UNITED STATES SENATE  
COMMITTEE ON FINANCE

NOMINEE: MARGARET MILNER RICHARDSON

NOMINATED FOR: COMMISSIONER OF INTERNAL REVENUE  
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name: Mary Margaret Milner Richardson ("Peggy")
2. Address: Home -- 5121 Tilden Street, N.W.  
Washington, D.C. 20016  
  
Office -- 1275 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-2404
3. Date and place of birth: May 14, 1943, Waco, Texas
4. Marital status: Married to John Lawrence Richardson  
Partner, Richardson, Berlin  
& Morvillo  
Washington, D.C.
5. Names and ages of children:  
Margaret Richardson  
17 years of age
6. Education: J.D. with honors  
George Washington University, 1968  
  
A.B. in Political Science  
Vassar College, 1965
7. Employment record: Sutherland, Asbill & Brennan,  
1977-present  
Internal Revenue Service,  
Office of Chief Counsel,  
1969-1977  
Law Clerk, United States Court of Claims  
1968-1969  
Office of Civil Rights, Health, Education  
& Welfare, 1966-1967  
Department of the Air Force  
Summer 1964  
Department of the Army  
Summer 1963
8. Government experience:  
  
Internal Revenue Service,  
Member and chair, Commissioner's  
Advisory Group, 1988-1990  
Internal Revenue Service,  
Office of Chief Counsel,  
1969-1977  
Law Clerk to Judge Philip Nichols, Jr.,  
U.S. Court of Claims,  
1968-1969

Office of Civil Rights, Health, Education,  
& Welfare, 1966-1967  
Department of the Air Force  
Summer 1964  
Department of the Army  
Summer 1963

9. Memberships: Admitted to practice law --

Commonwealth of Virginia and the  
District of Columbia  
United States Tax Court  
United States Claims Court  
United States District Court for the  
District of Columbia  
United States Courts of Appeals for the  
Fourth, Fifth, District of Columbia  
and Federal Circuits  
United States Supreme Court  
Virginia State Bar  
District of Columbia Bar

American Bar Association  
Federal Bar Association - Council on  
Taxation

Internal Revenue Service Commissioner's  
Advisory Group, 1988-1990  
Financial Women's Association  
City Tavern Club, Washington, D.C.

10. Political affiliations and activities:

Leave of absence taken last fall to participate full-time in the Clinton-Gore campaign assisting Hillary Rodham Clinton with special projects, including liaison and outreach to various groups around the country. Aided in organizing women's health events for the campaign; participated as a member of the Washington Steering Committee, which coordinated several fundraising events during the primary and general elections.

Campaign contributions as noted on the attached Federal Election Commission report.

Board of Women's Campaign Fund 1991-1993

The following contributions were made in connection with the Sutherland, Asbill & Brennan Partnership Contribution Plan:

May 1983	Mondale for President	\$250
November 1983	Walter Fauntroy Campaign Committee	\$250
December 1983	Byron Dorgen Campaign Committee	\$100
January 1985	Fauntroy Campaign Committee	\$250
August 1985	Fauntroy Reelection Committee	\$250
March 1986	Fauntroy Campaign Committee	\$250
May 1986	Jake Garn Campaign Committee	\$250
October 1988	Cheney for Congress	\$500
October 1988	Barbara Kennelly for Congress	\$195

11. Honors and Awards:

IRS Chief Counsel's Award  
Treasury Department Special  
Achievement Award



## 12. Published Writings:

- "Metropolitan Life v. Ward After Burlington Northern and Nordlinger," State Tax Notes, November 9, 1992  
"Ceding Commissions in Indemnity Reinsurance," Seminar Paper, Second Federal Bar Association Insurance Tax Seminar, January 25-26, 1990  
"Many Provisions of 1986 Act Affect Life Insurance Companies and Their Products," The Journal of Taxation, April 1987  
Problems in Tax Ethics, Section of Taxation Report, Summer 1984  
"Higher interest rates and new penalties under the 1981 law may limit taxpayer strategies," The Journal of Taxation, December 1981  
"Is stock given to foundation and resold an investment asset?," The Journal of Taxation, February 1979

## 13. Speeches:

Panelist at various conferences related to tax and insurance issues over the last three years. No formal speeches were given.

## 14. Qualifications:

See attached resume.

## MARGARET MILNER RICHARDSON

Office  
 1275 Pennsylvania Avenue, N.W.  
 Washington, D.C. 20004-2404  
 202-383-0156

Home  
 5121 Tilden Street, N.W.  
 Washington, D.C. 20016  
 202-244-0516

## EXPERIENCE

Sutherland, Asbill & Brennan  
 Washington, D.C.

1977-present

Partner specializing in tax and insurance regulatory law. Practice includes planning, participation in administrative and rulemaking proceedings, litigation and legislative matters. Represents clients before the Internal Revenue Service, various courts, including the United States Supreme Court, Congress, and state administrative and judicial forums. Served in various law firm administrative positions, including Deputy Managing Partner, and Chair of Associates and Hiring Committees.

Internal Revenue Service  
 Office of Chief Counsel  
 Washington, D.C.

1969-1977

Attorney in the Tax Court Litigation Division; Special Assistant to Deputy Chief Counsel (Litigation); Director, Administrative Services Division, responsible for all management functions throughout the United States for the Chief Counsel's Office (approximating 2,500 people). Functions included recruiting and training of personnel, and promulgation and enforcement of the employee ethics, financial disclosure and disciplinary programs. Responsibilities also included budget, long range planning and technology implementation. First woman "Supergrade" in the Chief Counsel's Office. Received Special Achievement Award; Chief Counsel's Award. Attended Federal Executive Institute Leadership and Management Program.

Law Clerk to Judge Philip Nichols, Jr.  
 United States Court of Claims  
 (now United States Court of Appeals  
 In the Federal Circuit)  
 Washington, D.C.

1968-1969

Office of Civil Rights  
 Equal Educational Opportunity Program  
 Office of Education  
 Department of Health, Education  
 and Welfare  
 Washington, D.C.

1966-1967

Assisted in Office of Education's efforts to implement the provisions of the  
 1964 Civil Rights Act relating to school desegregation.

Department of the Air Force  
 Cost Reduction Program  
 Washington, D.C.

Summer 1964

Revised and redrafted guidelines for the Air Force Cost Reduction Program  
 and the evaluation of that program.

Department of the Army  
 Office of the Undersecretary  
 International Affairs Office  
 Washington, D.C.

Summer 1963

Research for a Special Report on the Panama Canal Zone for the Secretary  
 of the Army.

## EDUCATION

National Law Center  
 George Washington University  
 Washington, D.C.  
 Editor, George Washington Law Review

J.D. with honors  
 1968

Vassar College  
 Poughkeepsie, New York

A.B. in Political Science;  
 minor in Russian 1965

Weatherford Senior High  
 Weatherford, Texas

1961

## PROFESSIONAL MEMBERSHIPS AND ACTIVITIES

Admitted to practice law —

Virginia and the District of Columbia  
 United States Tax Court  
 United States Claims Court  
 United States District Court for the District of Columbia  
 United States Courts of Appeals for the Fourth, Fifth,  
 District of Columbia and Federal Circuits  
 United States Supreme Court

American Bar Association - Tax Section

Chair of Large Case Audit Task Force 1990-

Federal Bar Association - Member Council on Taxation 1982-

Virginia State Bar

District of Columbia Bar - Tax Section

Internal Revenue Service Commissioner's Advisory Group, 1988-1990

Member and Chair (1990)

Financial Women's Association

Author of many articles on taxation and insurance subjects

Participant-speaker at numerous seminars

## **COMMUNITY ACTIVITIES**

Women's Campaign Fund Board

Washington Area Lawyers for the Arts

Friends of the Superior Court

Former President and Board Member, current Advisory Board Member

Hospital for Sick Children Development Board

National Cathedral School Governing Board 1988-present

President, National Cathedral School Parents Association 1988-1990

Member of numerous fundraising committees for various charities

Active at St. Columba's Episcopal Church

## **CLINTON-GORE CAMPAIGN**

Assisted Hillary Clinton in general election campaign with Congressional liaison and with special projects, including liaison and outreach to various groups around the country; assisted in organizing women's health events. Participated in fundraising and coordinated several fundraising luncheons for Hillary Clinton; campaigned in New Hampshire during the primary. Served on the Justice Department/Civil Rights Cluster as a Team Leader responsible for reviewing the Tax Division of the Department of Justice.

## **PERSONAL**

Born in Waco, Texas, May 14, 1943

Married to John L. Richardson, attorney in private practice in Washington, D.C.

Daughter, Margaret L. Richardson, 16

Enjoy foreign travel, antique collecting, needlepoint, and gardening



United States  
**Office of Government Ethics**  
1201 New York Avenue, NW., Suite 500  
Washington, DC 20005-3917

April 23, 1993

The Honorable Daniel P. Moynihan  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510-6200

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Margaret M. Richardson, who has been nominated by President Clinton to be the Commissioner of the Internal Revenue Service.

We have reviewed the report and have also obtained advice from the Department of the Treasury concerning any possible conflict in light of its functions and the nominee's proposed duties. We have enclosed a memorandum from the ethics official of the agency dated April 21, 1993 which discusses Ms. Richardson's ethics agreements with respect to recusal, resignation, and divestiture.

Subject to the fulfillment of these ethics commitments, we believe that Ms. Richardson is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

A handwritten signature in cursive script that reads "Stephen D. Potts".  
Stephen D. Potts  
Director



## RESPONSES OF DR. RICHARDSON TO QUESTIONS SUBMITTED BY SENATOR DANFORTH

## Question:

What is the Service's position regarding the settlement of intangible asset cases post-Newark?

## Response:

The United States Supreme Court recently decided the case of Newark Morning Ledger Co. v. United States, No. 91-1135 (U.S. April 20, 1993), dealing with the amortization of intangible assets. This case is very important in its legal analysis and in its potential impact on Internal Revenue Service operations. The case has potential impact on many cases in Examination, Appeals, and Counsel. A preliminary survey indicates a current inventory of approximately \$14 billion of proposed adjustments to income involving intangibles issues. This figure does not include potential claims for refund. We are analyzing the situation and it is premature for me to say more at this time. It is important to emphasize that our views may change as we gather more complete information about existing cases and any potential claims for refund.

In Newark Morning Ledger, the Supreme Court held that customer based intangible assets, acquired in the purchase of a going concern, can be depreciated notwithstanding that their value lies in the purchaser's expectation that the seller's customers will continue their patronage of the business. The Court held that "a taxpayer able to prove that a particular asset can be valued and that it has a limited useful life may depreciate its value over its useful life regardless of how much the asset appears to reflect the expectancy of continued patronage." Slip op. at 20. This holding rejected the government's contention that the expectancy of continued customer patronage is the accepted definition of "goodwill", and that assets having this quality are in essence nondepreciable goodwill.

Unless the proposed legislation specifically dictates otherwise, the Service, after completing its analysis of Newark Morning Ledger, intends to manage the existing case inventory in accordance with existing law so as to promote consistent treatment of taxpayers. Because of the factual nature of the issues involved, the Service will focus on valuation of the intangible, claimed useful life, and method amortization in each case. The Service will further need to evaluate the expert witness support offered by the taxpayer and obtain independent corroboration from other experts. Whether cases are settled or litigated, the diversity of the intangibles and the factually intensive nature of the issues could impose a significant burden on the resources of the Service and the courts.

## Question:

Do you support legislation giving taxpayers an option to settle pending controversies with the Service? What is the basis for your position?

## Response:

There is no need for legislation in order to give taxpayers the option to settle pending controversies with the Service. As indicated in the previous answer, the Service will approach these cases with the goal of promoting consistent settlements in accordance with existing law.

## Question:

Given that the core of the disputes between taxpayers and the Service is what is "goodwill", that Newark does not resolve this issue, and that there is no definition of "goodwill" in any legislative proposal, how, as a practical matter, could the principles of the proposed legislation be applied by the Service? Please be specific in your response.

## Answer:

Although Newark Morning Ledger does not specifically define goodwill, it clarified the matter by indicating that an asset is not goodwill if it has a limited useful life and a determinable value. While this definition may not be easy to administer, it is sufficiently specific for the Service to apply for years prior to the effective date of the proposed legislation. As indicated in the previous answers, the Service will focus on valuation of the intangible, claimed useful life, and method of amortization in each case.

The proposed legislation does not define goodwill, but provides for amortization of most purchased intangible value using a straight line method over a 14 year period. Goodwill and going concern value are included in intangible value that can be amortized under the legislation. This approach eliminates disputes involving useful life, allocation of value between intangibles, and methods of amortization.

The approach adopted by the legislation is of limited value in resolving intangibles issues in years prior to the effective date of the legislation because we must apply present law as clarified by Newark Morning Ledger. The taxpayer and the Service still must agree on useful life, value and method of amortization for each intangible. Because no precedent for future transactions will result from litigation of these issues, the proposed legislation could be viewed as facilitating settlement of existing cases.

## RESPONSES OF DR. RICHARDSON TO QUESTIONS SUBMITTED BY SENATOR WALLOP

## Question:

If Congress mandates the Internal Revenue Service to collect student loan payments, can and should the IRS be sensitive to the varying customer service and financial needs of individual students in economically diverse regions of the nation? If so, how?

## Response:

One of the goals of the President's Student Loan Program is to provide for income contingent repayment schedules. This program, if enacted, will permit borrowers to base their annual student loan repayments on the income they earn each year until the entire debt is satisfied. The income-contingent feature will be available to borrowers whether the program is administered by the Department of Education or the Internal Revenue Service.

## Question:

Are you aware that in the past the IRS has opposed becoming involved in collecting student loans? What are your thoughts about the IRS assuming the role of loan collection agent?

Response:

Yes. I am aware of IRS' concerns, in the past, that the tax system could become encumbered if used to collect non-tax debts. It is my position that, if IRS can be in on the design of such a program, we may be able to provide a convenient repayment option without overburdening the tax system. The proposed legislation provides for a study to be done by IRS and the Department of Education that looks at several alternatives for collecting student loans. The study also requires that we look at the costs and the potential impact on voluntary compliance.

Question:

Does the Internal Revenue Service have the capability of collecting financial information on graduates who are exempt from taxes?

Response:

We have the capability of gathering this type of data only if we receive information from third parties, such as Forms W-2 or Forms 1099.

Question:

If a former student is not employed within six months after graduation, how would the IRS report income information back to companies servicing his or her loan?

Response:

The income-contingent proposal now under consideration by the Congress would require IRS to report information on a student's income to the Department of Education. We anticipate that this information would be taken from the tax return filed by the borrower. If no tax return were required to be filed, no information would be reported.

Question:

The IRS' litigating position with respect to the tax treatment of hedging has become very controversial and is potentially damaging to the futures market. Do you think it would be appropriate to review the policy underlying this litigation position if cases are brought that may have economic consequences beyond the facts of the case?

Response:

I understand your concern that the interpretation of Arkansas Best with respect to the tax treatment of business hedging transactions may have a significant impact on both the futures and options markets. I agree with you that this is an important matter, with commodities trading, tax policy, and agricultural policy implications. As noted in his recent letter to Senator Ford, Secretary Bentsen has asked that the Assistant Secretary (Tax Policy) and I review this matter and advise him of our recommendations. I am presently engaged in discussions with Chief Counsel's Office regarding matters from which I should be recused. Therefore, I will either personally review the matter or, if recused, the Deputy Commissioner will ensure that this issue is resolved at the earliest possible time.

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## PREPARED STATEMENT OF JEFFREY R. SHAFER

Mr. Chairman, distinguished members of the Senate Finance Committee, ladies and gentlemen:

I am honored to appear before you today as President Clinton's nominee to be Deputy Under Secretary of the Treasury for International Affairs. I have spent my life in public service, beginning with a military tour in Vietnam, then, following graduate studies, in the Federal Reserve System, and, most recently, serving as an American in the international secretariat of the Organization for Economic Cooperation and Development.

If confirmed, I will dedicate myself to serving President Clinton and Secretary Bentsen as they formulate and implement an international economic agenda for the United States. In this capacity, I will work closely with Under Secretary of the Treasury Lawrence H. Summers, Secretary Bentsen's chief advisor in this area. This Administration realizes that success in achieving its objectives depends on working closely with Congress, and such cooperation will be a high priority for me.

President Clinton and his Administration face new challenges in a rapidly changing world economy. These challenges are first and foremost to strengthen our own economy and to promote growth and prosperity throughout the world. President Clinton has already indicated his strong commitment to pursuing an international agenda that compliments and helps facilitate his domestic agenda of renewal. We must now realize this goal.

Increasing global interdependence can provide the basis for greater prosperity for the people of the United States, and the Clinton Administration is determined to bring this about. This goal can be furthered by cooperation with countries of good will throughout the world, since the growth of foreign markets and access to such markets are fundamental to increasing opportunities for the United States.

In pursuing our objectives for the United States and for the world economy, core themes of President Clinton's vision for our country can -- and I believe should -- be applied to our external policies as well. These include: thrift in making commitments; an emphasis on people as the critical ingredient to growth and development; concern for our shared environmental resources; and the importance of an innovative private sector that is ready and eager -- and able -- to compete in the world marketplace.

The Deputy Under Secretary of the Treasury for International Affairs, who traditionally serves as Assistant Secretary for International Affairs, has a wide range of responsibilities to develop, coordinate, and implement policies that are an important part of the Administration's overall external effort. This includes assuming a key role in the coordination of policy with our major economic partners and formulation of U.S. policy with respect to the international financial institutions.

In laying out his vision to this Committee of the tasks before us, Larry Summers highlighted four critical areas at the top of Treasury's international agenda: improvement of the macroeconomic coordination between the United States and its Group of Seven colleagues; greater global economic integration, with benefits shared equally among countries; support for Russia's democratic and economic reform effort; and promotion of sustainable and environmentally responsible development in the developing world.



These priorities alone pose formidable challenges, but they are only a few of the many things to be accomplished by this Treasury and the Clinton Administration. If confirmed, it will be my place to ensure that the many issues that come before the Treasury in the international area receive due attention.

Mr. Chairman and Senators, international economic policy is now more than ever at the forefront of our national interest. Although I have worked throughout my career on these issues, I have known no more exciting and challenging time. We are in a position to build a new world based on strengthened interdependence in the post cold-war era. U.S. leadership is needed more than ever to achieve this goal. It is an honor to have been nominated by President Clinton to serve at Treasury in this time, and it would be a privilege to join Secretary Bentsen's team. I hope to have the opportunity to do so -- and to work with you and your colleagues in Congress in the years ahead. Thank you.

*The White House,*

APR 27 1997 19

*To the  
Senate of the United States.*

*I nominate* Jeffrey Richard Shafer, of New

Jersey, to be a Deputy Under Secretary of the Treasury,

vice Olin L. Wethington, resigned.

**WILLIAM J. CLINTON**

RESPONSE TO INFORMATION REQUESTED OF NOMINEES  
BY  
UNITED STATES SENATE  
COMMITTEE ON FINANCE

NOMINEE: Jeffrey R. Shafer

NOMINATED FOR: ASSISTANT SECRETARY (INTERNATIONAL AFFAIRS)  
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name: Jeffrey R. Shafer
2. Address: 2501 Porter Street, N.W.  
Washington, D.C. 20008
3. Date and place of birth: September 10, 1944  
Lake Forest, Illinois
4. Marital status:  
Married to Mary Louise Terenzio Shafer
5. Names and ages of children: Lara Louise Shafer, 21  
Karen Elizabeth Shafer, 18
6. Education:  
Southmont School, Johnstown, PA 1949-1958  
Westmont Hilltop High School, Johnstown, PA  
1958-1961  
Crown Point High School, Crown Point, IN  
1961-1962 (received high school diploma)  
Princeton University, Princeton, NJ 1962-1966  
(received A.B. degree in economics with honors)  
Yale University, New Haven, CT in residence  
1968-1972 (received M.Phil (1970)  
and Ph.D (1976) in economics)

7. Employment record:

Dec. 1991-March 1993: Deputy Director of the Country Studies and Economic Prospects Branch in the Economics Department of the Organisation for Economic Cooperation and Development (OECD).

Together with the Director, I planned, supervised and contributed to the work of a team of sixty-five people. The Branch is responsible for preparing drafts of Economic Surveys of Member countries and of Central and Eastern European countries that are OECD Partners in Transition. These Surveys are for consideration by the Economic Development and Review Committee, and subsequent publication. They cover macroeconomic developments, prospects and key structural issues affecting the economic performance of each country. The Branch also prepares analyses of economic developments and projections and policy options for consideration by the OECD Experts Group on Short-Term Economic Prospects and the Economic Policy Committee. Its assessments are published in the OECD Economic Outlook. I was called upon to lead country missions in the process of preparing Country Survey drafts, where I meet with government officials, members of the business

community, representatives of labour unions and private sector economies. I also participated in meetings of the EDRC and make presentations on various economic issues to public groups.

March, 1988 - December, 1991: Deputy Director of the Policy Studies Branch (formerly General Economics Branch), OECD.

I planned, supervised and contributed to the work of a team of fifty people in collaboration with the Director of the Branch and the Head of the Economics Department. The Branch analyzes economic developments and the policies of the 24 OECD countries on a cross-country basis, interactions among Member countries, and economic links with non-Member countries. This work involved quantitative and qualitative policy-oriented analysis of the full range of economic issues, both macro and micro. The Branch prepares papers for consideration by the Economic Policy Committee and its Working Parties Number One and Three. Its analysis is published in the OECD Economic Outlook, Economic Studies and Working Papers. Particular duties included supervision of projects, drafting papers for high-level meetings including OECD Ministerial meetings, co-editorship of the Economic Outlook and Chairmanship of the Editorial Board of Economic Studies. I was called on to present the work of the Branch orally to OECD committees, consult with officials in governments and contribute to wider public awareness of the work of the Organisation through public talks and interviews with journalists from press, radio and television. For several years I had special responsibility for the development of the work on Reform of Structural Policies -- covering the full range of government policies affecting economic performance. This work was welcomed and given further encouragement by the 1988 G-7 Economic Summit in Toronto. In the second half of 1990, I was the senior OECD representative on the task force that prepared the Joint Study of the Soviet economy commissioned by the Houston Economic Summit.

January, 1984 - March, 1988: Counsellor for International Economic Policies, Organisation for Economic Cooperation and Development.

I advised the Secretary-General and the Head of the Economics and Statistics Department on international economic and financial issues and undertook work requested by them. I drafted documents for high level international meetings concerned with overall economic policy strategies, with the international debt crisis, and with structural adjustment in Member countries. I also made contributions to OECD papers on a wide range of other issues. I represented the OECD on Missions to member countries and international organizations. This work brought me in close contact with government officials, including heads of government, cabinet officials, central bank governors, and legislators. I also advised the Head of the Department on the development of the program of work and budget and on personnel administration, especially in the area of recruitment and management of professional staff.

February, 1981 - January, 1984: Vice President, Research and Statistics, Federal Reserve Bank of New York (promoted from Assistant Vice President December, 1981).

I supervised three departments, totalling about 40 people, responsible for international and financial markets research. I carried out and supervised current analysis, forecasting and research in preparation for FOMC meetings, in support of the bank's operational and policy responsibilities and for publication in the Quarterly Review. Specific areas of work included forecasting of exchange rates, economic activity in major industrial countries, international financial market innovations and country risk. Additional responsibilities included recruitment of professional staff in the Function, development of a program of support for training of minority economists (coordinated with other Federal Reserve Banks and the Board of Governors) and membership on the steering group of the Federal Reserve System Committee on International Research.

Spring, 1983 Visiting Lecturer, Department of Economics, Yale University.

I conducted a seminar, Topics in International Finance, for advanced graduate students.

August, 1978 - January, 1981 Deputy Associate Director, Board of Governors of the Federal Reserve System (title changed from Associate International Division Officer in October, 1979).

I was responsible for oversight of the work of two sections--the U.S. International Transactions Section (Balance of Payments) and the Financial Markets Section (exchange markets and Eurocurrency markets) within the Board's Division of International Finance. During this period, I was given responsibility for developing the proposals for International Banking Facilities, which were implemented by the Board.

April, 1977 - August, 1978 Senior International Economist for the Council of Economic Advisers on detail from the Federal Reserve Board.

I was the principal staff member dealing with international issues and was closely involved with preparation for the Bonn Economic Summit in 1978.

September, 1975 - April, 1977 Chief, U.S. International Transactions Section, International Finance Division of the Federal Reserve Board. I headed the team that monitored, analysed, made forecasts and reported to the Board of Governors on U.S. international trade and capital flows.

July, 1972 - September, 1975 Economist, various sections of the International Finance Division of the Federal Reserve Board.

I did research on various international financial questions and served as assistant to the Vice Chairman of the IMF Committee of Twenty on Reform of the International Monetary System.

January - May, 1975 Visiting Assistant Professor of Economics in the Graduate School of Industrial Administration, Carnegie-Mellon University. (on leave of absence from the Federal Reserve Board).



I lectured on economic principles and developed a course for MBA candidates on international finance. September, 1970 - June, 1972 Half-time Acting

Instructor, Yale University. I developed and taught a course in economic principles for upperclassmen, shared responsibility for teaching intermediate undergraduate macroeconomics and served as assistant to several senior members of the faculty in teaching the graduate macroeconomic theory course.

Half-time Acting Instructor (1970-71 and 1971-72 academic year) in the Economics Department of Yale University, New Haven, Connecticut

Teaching assistant (1969-70 academic year)

Lieutenant of artillery, U.S. Army, served in Colorado and Vietnam, October 1966-July 1968

Junior investment analyst, Northern Trust Bank, Chicago, IL June 1966-September 1966

8. Government Experience:

My government experience is fully covered by my employment record presented under question 7. This comprises:

Officer of the Federal Reserve Bank of New York (1981-1984)

Officer on the staff of the Board of Governors of the Federal Reserve System (1978-1980)

Senior economist on the staff of the Council of Economic Advisers (1977-1978)

Economist and Head of Section on the staff of the Board of Governors of the Federal Reserve System (1972-1977)

9. Memberships:

Current: American Economics Association

Past:

Princeton Alumni Schools Committee for France (1986-1993)

Finance Committee of the American School of Paris (1991-1992)

National Bureau for Economic Research - Research Associate (1979-1987)

PTA Board Member, George Washington Jr. High School, Ridgewood, N.J. (1982-1983)

NAACP Arlington County Branch (1977-1981)  
Board Member (1979-1981)

YMCA Indian Guides and Princesses Board Member and Chief (1980) of Arlington County Program

## 10. Political affiliations and activities:

I have not been an active member of political organization during the past 10 years, nor have I made contributions to political parties or election committees during this time.

## 11. Honors and Awards:

Bronze Star with "V" and oak leaf cluster awarded for U.S. Army service in Vietnam 1968

Yale University fellowships for graduate study 1968-1972

## 12. Published Writings:

"Experience with Controls on International Capital Movements in OECD Countries: Solution or Problem for Monetary Policy?", presented to the Conference on Money and Finance in the Open Economy at the Institute of Economic Research, Korea University, Seoul, November 6-7, 1992.

"Issues of Economic Reform in the Former Soviet Union" (with Peter Dittus): forthcoming in *The Revue d'Economie Financière*.

"Saving Trends and Measurement Issues" (with Jorgen Elmeskov and Warren Tease): Paper presented to a conference on Saving Behaviour in Helsinki, Finland, May 1991, *The Scandinavian Economic Journal*, Vol. 94, 1992, No.2.

Comment on "The Balance of Payments" by Warren Tease in The Australian Macro-Economy in the 1980s, Proceedings of a Conference sponsored by the Reserve Bank of Australia on 20-21 June, 1990, pp.215-219.

"Ask Not What G-7 Summits Decide But What Direction They Point In", *Toronto Globe and Mail*, July 14, 1989.

"Past, Present and Future Agendas": Presentation to a Conference on Macroeconomic Coordination and the Summit in Toronto, April, 1988. Canadian Public Policy, XV Supplement, February, 1989.

"The Impact of the U.S. Current Account Deficit on Other OECD Countries" in U.S. Trade Deficit, Causes, Consequences and Cures, Albert E. Burger, ed., Kluwer Academic Publishers, 1989.

"What the U.S. Current Account Deficit of the 1980s Has Meant for other OECD Countries". OECD Economic Studies No.10, Spring 1988.

"The Theory of the Lender of Last Resort and the Eurocurrency Markets," in Robert Z. Aliber (ed.) The Reconstruction of International Monetary Arrangements, Macmillan Press, Hampshire, England, 1987.

"Managing Crises in the Emerging Financial Landscape": Paper presented to a Conference at Ditchley Park on Financial Market Developments and Financial Stability, December, 1986. OECD Economic Studies No.9, Fall 1987.

"Comment on Padoa Schioppa: Policy Cooperation and the EMS Experience" in International Economic Policy Coordination, William H. Buiter and Richard C. Marston (eds.) Cambridge University Press, 1985

"Comment on Terrell and Mills: International Banking Facilities and the Eurodollar Market" in Paolo Savana and George Sutija (eds.), Eurodollars and International Banking, Macmillan Publishers Ltd. U.K., 1985.

"Stabilization Policies in Open Economies", AEA Papers and Proceedings, May, 1984.

"Comment on Clarida and Friedman. Why Have Short-Term Interest Rates Been so High?" Brookings Papers on Economic Activity, 2: 1983.

"Floating Exchange Rates after Ten Years" (with Bonnie E. Loopesko) Brookings Papers on Economic Activity, 1:1983.

"Analysis of Short-Run Exchange Rate Behaviour: March, 1973 to November, 1981" (with Michael P. Dooley), in The Exchange Rate and Trade Instability: Causes, Consequences and Policies, David Bigman and Teizo Taya, eds.; Ballinger Publishing Company, Boston, Ma.

"Comment on Exchange Rate Volatility" in Dreyer, Haberler, and Willett (eds.) The International Monetary System: A Time of Turbulence, American Enterprise Institute, Washington, D.C. 1982.

"International Portfolio Disturbances and Domestic Monetary Policy" (with Edwin M. Truman) in Cooper, et al, The International Monetary System Underflexible Exchange Rates (Essays in Honor of Robert Triffin), Ballinger Publishing Company, Boston, Ma., 1982.

"Flexible Exchange Rates, Capital Flows, and Current Account Adjustment," Processed, March, 1980.

"Rules for Intervention Without Fixed Parities: (with Michael P. Dooley), International Finance Discussion Paper Number 77, Board of Governors of the Federal Reserve System, February, 1976.

"Analysis of Short-Run Exchange Rate Behaviour: March, 1973 to September, 1975" (with Michael P. Dooley), International Finance Discussion Paper Number 75, February, 1976. Presented at the winter meetings of the Econometrics Society in Dallas, Texas, in December, 1975 and at the American Enterprise Institute, U.S. Treasury Conference on Exchange Markets in Washington, D.C. in February, 1976.

"Monetary Policy in a Two-Country Model of Macroeconomic Interaction under a Floating Exchange Rate," presented to the Conference on the Monetary Mechanism in an Open Economy in Helsinki, Finland in August, 1975.

"Intermediate Term Monetary and Fiscal Policy in a Consistent Dynamic Framework" (with Walter Dolde), presented at the Annual Meeting of the Western Economics Association, 1974.

## 13. Speeches:

I have not given speeches with prepared text during the past three years. Some papers listed under question twelve began as presentation to conferences or seminars as indicated. Presentations on current issues, most often off the record, have focused on the economic outlook was given to the SNS fall Business Outlook Conferences in Stockholm Sweden in 1991 and 1992.

## 14. Qualifications:

The Assistant Secretary of the Treasury for International Affairs has responsibilities that encompass macroeconomic policy coordination, international monetary arrangements, financial services, trade, direct investment, and the multilateral development banks. He or she must be able to assess policy options across this broad range of responsibilities, work with the Secretary and the Under Secretary to develop a consensus in the Administration and with the Congress, and reach agreements with other governments that further U.S. objective. I will bring a solid training in economic analysis and more than twenty years of experience in applying this training to public policy problems in the Federal Reserve System, the staff of the President's Council of Economic Advisers and the Secretariat of the Organization for Economic Cooperation and Development (OECD). I have learned a lot about the practical aspects of policy making and about working with others to reach agreement, both in the U.S. policy community and in a multi-national context (quite different challenges).

I have also taken on substantial management responsibilities in the policy-oriented analytical staff of the Federal Reserve System and the OECD. This has prepared me well to lead the large team of professional analysts in the Office of the Assistant Secretary for International Affairs.

—N'





United States

**Office of Government Ethics**

1201 New York Avenue, NW., Suite 500

Washington, DC 20005-3917

April 29, 1993

The Honorable Daniel P. Moynihan  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Jeffrey R. Shafer, who has been nominated by President Clinton for the position of Deputy Under Secretary of the Treasury, for further designation as Assistant Secretary of the Treasury (International Affairs).

We have reviewed the report and have also obtained advice from the Department of the Treasury concerning any possible conflict in light of its functions and the nominee's proposed duties.

Based thereon, we believe that Mr. Shafer is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

*Stephen D. Potts*  
Stephen D. Potts  
Director

## RESPONSES OF DR. SHAFER TO QUESTIONS SUBMITTED BY SENATOR BROWN

Question:

1. European Bank: The London Financial Times and the Washington Post reported recently that, since its establishment, the European Bank for Reconstruction and Development (the EBRD) has spent more on lavish overhead than on actual loans to the emerging market economies of Eastern Europe. Included among the overhead were projects costing \$87 million to refurbish and furnish the Bank's headquarters in London (including \$1.1 million to upgrade the marble around the elevators), \$900,000 last year for chartered jets for the Bank president, \$78,000 for a Christmas party -- and the list goes on.

a. These expenditures make a mockery of the Bank's purpose to assist in the development of Eastern Europe. As the Bank's single largest shareholder, the United States shares a significant amount of responsibility. The Clinton Administration has requested another \$70 million in FY94 for the Bank.

i. Will the Administration agree to call for the resignation of Mr. Attali, the high-flying Bank president?

ii. In view of these abuses and those at other international financial institutions (the World Bank, etc.), will the Administration agree to push for the establishment of independent audit agencies like our Inspector Generals to act as a check on the obvious corruption at these institutions?

Answer:

I am deeply distressed by press reports of extravagant spending by the management of the European Bank for Reconstruction and Development (EBRD). The United States is not at this time calling for President Attali's resignation, but we are working to ensure that a full audit is undertaken. And we are joining with other member governments to ensure that the Bank's Board of Directors exercises tighter controls over future expenditures.

The Audit Committee of the Board of Directors held its first meeting on May 4. The U.S. Director will insist on a full Audit Committee investigation of expenditures. The Committee will utilize independent auditors and its report will be made available to the shareholder authorities.

The United States will also insist that a new Budget Director have clear reporting lines and not be part of the President's cabinet. A separate Budget Committee of the Board of Directors also may be established if determined necessary after review of the terms of reference for the Finance and Audit Committees.

The United States is exerting the utmost efforts to expose all of the facts and ensure that appropriate action is taken in light of them. It has joined with other members of the Board of Governors in insisting that the relevant Board Committees have complete access to budgetary information and the authority to adequately monitor the activities of the Bank's staff. But while the United States is the single largest shareholder in the EBRD, we cannot unilaterally control the Board or Bank management.

In addition to pressing Bank management to reduce spending and tighten budget controls, the United States will press for organizational improvements. A new style of leadership is required if the Bank is to enjoy this Administration's continued support.

We fully expect that monies entrusted to international financial institutions be used wisely, not wastefully. I will join with the Secretary and other Treasury officials in keeping the Congress apprised of the Bank's progress.

#### Russian Private Sector Development

Question: One proposal that has been considered to assist the Russian transition to a free market concerns the establishment of a private sector development corporation that would operate with a small amount of U.S. backing, and using Russian collateral, act as a guarantor for the issuance of secondary and tertiary debt instruments. Senator Brown's office has developed one such proposal. Would you agree to explore in detail this initiative?

#### Answer:

- o We share your desire to support the Russian private sector and are looking at various ways to do so. I would of course be interested in looking in detail at your proposal.
  - o U.S. is also currently pursuing other methods of private sector development, including:
    - The U.S. Russia Enterprise Fund, announced in Vancouver, would provide technical and financial assistance to small and medium-sized businesses.
    - The Small and Medium Enterprise Fund (SME), announced in Tokyo and to be based at the EBRD, would also provide assistance to newly-privatized small and medium-sized firms.
    - The Special Privatization and Restructuring Fund (SPRF), proposed by the U.S. in Tokyo and currently under discussion among the G-7, would provide pre- and post-privatization assistance to large Russian enterprises.
  - o Russian businesses would certainly benefit were they able to issue debt instruments into the Russian and/or international markets. U.S. Government backing and/or collateral would make these instruments more attractive to investors.
  - o Some difficulties that have emerged with other proposals would need to be looked at closely.
    - Although Russia is rich in potential resources, the government lacks immediately marketable resources of the magnitude that would be needed for any large-scale collateralization of loans. Moreover, any pledging of assets that are useable as collateral for a new financing program would adversely affect the quality of other credits.
    - It might further weaken the fiscal position for the Russian government to take on large contingent liabilities now, considering uncertainties in the Russian market and high level of company risk.
-

## PREPARED STATEMENT OF GEORGE J. WEISE

Mr. Chairman and Distinguished Members of the Senate Finance Committee:

It is indeed an honor and privilege to appear before you today as the nominee for the position of Commissioner of the U.S. Customs Service. For someone who began his career more than twenty years ago as an entry level Customs officer in the port of Baltimore, this nomination represents the fulfillment of a dream.

I am grateful to the President for the confidence he has placed in me, and to Secretary Bentsen for recommending me for this position. It is clear, however, that none of this would have been possible without the strong backing and support of the Chairman of the Committee on Ways and Means, Dan Rostenkowski.

For the last nine years, Chairman Rostenkowski has taught me a great deal, but above all, by his example, he taught me the importance of public service. I am indeed a truly lucky individual. Most people in their lifetimes do not have the opportunity to work for a leader like Dan Rostenkowski. If I am confirmed, of course, I will be blessed with the opportunity to serve another outstanding American as well, Secretary Lloyd Bentsen, who has also dedicated his life to public service, much of it as Chairman of this distinguished Committee.

I want to thank Senator Max Baucus, distinguished Chairman of the Subcommittee on International Trade of the Senate Finance Committee, for his support and his kind words today. Senator Baucus has been a leader in the formulation of a coherent, effective trade policy for a number of years. He has also been a friend of the Customs Service, with particular interest in ensuring that Customs fulfills its northern border responsibilities.

I also want to thank my family for their support in helping me pursue this dream. To my lovely wife, Therese, and my beautiful daughters, Michelle and Melissa, thanks for understanding that the financial rewards of the private sector are no match for the satisfaction one receives from making a meaningful contribution to the public good. I believe that if I am confirmed, I can and will make that kind of meaningful contribution to the U.S. Customs Service. I would not be seeking this appointment if I were not committed to making a difference, and to making Customs the best that it can be.

Finally, to my father and sister who are with me today, thanks for being behind me throughout all these years. We know Mom would have been proud.

Mr. Chairman, as someone who has spent the last nine years working for the Trade Subcommittee of the Committee on Ways and Means, I am particularly proud to be the first Commissioner of Customs to be nominated for the position by the President and to be subject to Senate confirmation. Chairman Rostenkowski and I worked closely with the Senate in 1988 to make this statutory change, and I understand the need for accountability that motivated this change. I can assure you, as I assured Secretary Bentsen, that if confirmed, I will faithfully carry out Administration policies and I will consult fully with the Department, this Committee, and the Congress on all major policy issues.

Mr. Chairman, I feel very humble in asking the Committee to support my nomination as Commissioner, but I am also confident that I have the qualifications to lead this agency, which I have cared about so deeply for the last twenty years. You could almost say that I have spent my entire career preparing myself for the responsibilities of this position.



After spending three years as an import specialist with the Customs Service in the early 1970's, I began to broaden my trade policy experience, without ever losing touch with Customs issues. After leaving Customs, during my nine years as an attorney with the U.S. International Trade Commission, I was directly involved in the negotiation of the GATT agreements on Customs Valuation and Trade in Civil Aircraft, as well as in the development of the Harmonized System of Tariff Nomenclature. After a brief stint in the early 80's as a Customs attorney for IBM as part of the President's Executive Exchange Program, I joined the trade staff of the Ways and Means Committee in 1984, where I have spent the last nine years working on a wide variety of trade and Customs issues. For the last two years I was heavily involved in the development of the Customs Modernization Act. If confirmed, I intend to work closely with this Committee and the Congress to see that this vital piece of legislation is enacted as early as possible.

That is my background, and I believe it is one that qualifies me in some very unique ways for this position. I not only have a keen understanding of the Customs mission, but also an appreciation for the overall role of the Customs Service in carrying out U.S. trade policy.

I have a deep affection for the dedicated, hard-working Customs workforce, and I believe I can relate to their problems and concerns. It is a proud agency with a long history and tradition of serving the public good. But in recent years, Customs has come under increasing scrutiny and criticism, particularly for alleged management problems. While I appreciate the many accomplishments of the Customs Service and its people, I also believe that, working together, we can do much better.

If confirmed, I intend to carry out Customs many diverse commercial and enforcement responsibilities in a balanced way; at the same time, we will expect all Customs employees to meet the highest ethical standards. I hope you will give me that chance.

Mr. Chairman, I thank you for giving me this opportunity to appear before you today and I look forward to responding to any questions you may have.

*The White House,*

*19*

*To the*

*Senate of the United States.*

*I nominate* George J. Weise, of Virginia,

to be Commissioner of Customs. (New Position)

WILLIAM J. CLINTON

RESPONSE TO INFORMATION REQUESTED OF NOMINEES  
BY  
UNITED STATES SENATE  
COMMITTEE ON FINANCE

NOMINEE: GEORGE J. WEISE

NOMINATED FOR: COMMISSIONER  
U.S. CUSTOMS SERVICE  
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name: Include any former names used  
George J. Weise
2. Address: List current residence address and mailing address  
4636 North 20th Street  
Arlington, Virginia 22207
3. Date and place of birth: 3/3/49  
Scranton, Pennsylvania
4. Marital status: Include maiden name of wife or husband's name  
  
Married  
Therese Lee Palmer
5. Names and ages of children: Michelle Lyddane Weise, 16  
Melissa Anne Weise, 14
6. Education: List institution(s), dates attended, degree received and date degree granted  
  
University of Maryland  
1967 - 1971  
Bachelor of Science  
1971  
  
University of Maryland -  
School of Law  
1971 - 1975  
Juris Doctor  
1975  
  
George Washington University  
1980 - 1983  
Master of Business Administration  
1983
7. Employment record: List all positions held since college, including title or description of job, name of employer, location of work, and dates of inclusive employment

Staff Director, The  
Subcommittee on Trade  
Committee on Ways and Means  
1102 Longworth House Office  
Building  
Washington, D.C. 20515  
3/84 - 3/93

Staff Attorney  
IBM Corporation  
Old Orchard Road  
Armonk, New York  
9/83 - 3/84

Supervisory Attorney-Advisor  
U.S. International Trade  
Commission  
500 "E" Street SW.  
Washington, D.C. 22207  
8/75 - 9/83

Import Specialist  
U.S. Customs Service  
40 South Gay Street  
Baltimore, Maryland 21202  
6/72 - 8/75

8. Government experience:

List any experiences in, or  
association with, Federal, State  
or local Governments including  
any advisory, consultative,  
honorary or part-time service or  
positions

Staff Director, The  
Subcommittee on Trade  
Committee on Ways and Means  
1102 Longworth House Office  
Building  
Washington, D.C. 20515  
3/84 - 3/93

Supervisory Attorney-Advisor  
U.S. International Trade  
Commission  
500 "E" Street, SW.  
Washington, D.C. 22207  
8/75 - 9/83

Import Specialist  
U.S. Customs Service  
40 South Gay Street  
Baltimore, Maryland 21202  
6/72 - 8/75

9. Memberships:

List all memberships and offices  
held in professional, fraternal,  
scholarly, civic, charitable, and  
other organizations

American Bar Association (ABA)  
ABA's Standing Committee on  
Customs Law  
Beta Gamma Sigma (National  
Business Honorary Society)  
Former Member of Loyal Order of  
Moose



10. Political affiliations  
and activities:

List all memberships and offices held in or financial contributions and services rendered to all political parties or election committee during the last ten years

I am a registered Democrat but have not held any offices or made financial contributions to political parties or candidates. I did provide some occasional informal advice on trade matters to the Clinton campaign. I also provided some advice and assistance to Ambassador Mickey Kantor in his preparation for confirmation hearings.

11. Honors and Awards:

List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievement

Selected to participate in  
President's Executive Exchange  
Program (1983 - 1984)  
Member of Beta Gamma Sigma  
(National Business Honorary  
Society)  
Most Court Award in Law School  
Various Outstanding Performance  
Cash Awards during tenure at  
the U.S. International Trade  
Commission and Customs

12. Published Writings:

List the titles, publishers and dates of books, articles, reports, or other published materials you have written

None.

13. Speeches:

Identify each speech which you have given during the past three years, the organization to which the speech was given, and supply two copies of each speech

I have given numerous speeches over the last three years as indicated below, but in all cases I spoke extemporaneously and have no copies of text to supply. In virtually all cases, I would outline my perspective on the current trade agenda and discuss the prospects for trade legislation in the future.

1992

February 13 - 16, 1992

PMA Annual Meeting

Participated on a Congressional staff panel discussing NAFTA and Uruguay Round.

Orlando, Florida

April 2 - 5, 1992

American Fiber Manufacturer's Assn.

Presentation on trade issues for 1992 at Langdon Cheves Congressional Seminar.

Myrtle Beach, SC

April 10, 1992

ABA

Participant in workshop on

"Capitol Hill Update--

International Trade Issues" at

Spring Meeting

New York, NY

May 4, 1992

EIA

Speech before International Committee on 1992's trade agenda.

Washington, D.C.

May 12, 1992

National Foreign Trade Council -

International Trade Committee -

speech on trade issues.

Washington, D.C.

May 14, 1992

NAM Trade Forum

Speech to NAM Trade Forum on NAFTA, Uruguay Round, and H.R.

5100.

Washington, D.C.

May 18, 1992

Business Roundtable

Speech on trade legislation.

Washington, D.C.

May 21, 1992

AEA

Discussion of H.R. 5100 at Trade and Investment and Customs Committee meeting.

Washington, D.C.

June 12, 1992

Telecommunications Industry Assn.

Speech on NAFTA, GATT, and

H.R. 5100.

Washington, D.C.

June 30, 1992

National Bar Assn.

Trade speech.

Washington, D.C.

September 21, 1992  
 Customs Brokers & Forwarders  
 Assn.  
 Trade speech.  
 Washington, D.C.

October 19, 1992  
 ABA Luncheon  
 Participant in discussion on  
 trade issues.  
 Washington, D.C.

October 22, 1992  
 Women in International Trade  
 (WIT)  
 Presentation of overview of  
 recent trade legislation.  
 Rosemont, Illinois

October 26, 1992  
 American Association of Exporters  
 and Importers (AAEI)  
 Keynote speaker at International  
 Trade Conference on trade and  
 customs legislation.  
 New York, NY

November 10, 1992  
 Business Roundtable  
 Discussion on the North American  
 Free Trade Agreement.  
 Washington, D.C.

December 15, 1992  
 U.S. Chamber  
 Speech on NAFTA.  
 Washington, D.C.

### 1991

January 9, 1991  
 American Electronics Assn.  
 Speech on the Uruguay Round.  
 Washington, D.C.

January 15, 1991  
 Washington International Business  
 Council  
 Speech on international trade and  
 congressional outlook for 1991.  
 Washington, D.C.

January 15, 1991  
 Computer and Business Equipment  
 Manufacturer's Assn. (CBEMA)  
 Speech on 102nd Congress  
 legislative trade agenda and the  
 Uruguay Round.  
 Washington, D.C.

January 17 - 20, 1991  
 Pharmaceutical Manufacturers  
 Assn.  
 Speech to PMA's 13th Annual  
 Meeting on globalization.  
 Puerto Rico

February 14 - 18, 1991  
Campbell-Raupe Inc.  
Panelist on American trade policy  
and GATT at Congressional  
Leadership Seminar.  
Butte, Colorado

March 6, 1991  
Center for Strategic &  
International Studies  
Participated in Congressional  
Free Trade Working Group on  
Mexico discussing fast track and  
the U.S.-Mexico FTA.  
Washington, D.C.

March 11, 1991  
Footwear Industries of America  
Spoke at a workshop on Caribbean  
Basin Institute (CBI) II.  
Washington, D.C.

March 13, 1991  
Chemical Manufacturers Assn.  
Panelist on the discussion of the  
legislative trade agenda for the  
102nd Congress.  
Washington, D.C.

March 18, 1991  
National Foreign Trade Council,  
Inc.  
Spoke to the World Trade Forum on  
fast track.  
Washington, D.C.

March 22, 1991  
ABA-U.S. Chamber of Commerce  
National Institute on the  
Uruguay Round  
Speech on fast track and NAFTA.  
Washington, D.C.

April 16, 1991  
European Council of American  
Chambers of Commerce  
Panelist on key issues in  
international trade and  
investment.  
Washington, D.C.

April 18, 1991  
Johnson & Johnson  
Speech on GATT negotiations,  
U.S.-Mexico FTA, and fast track.  
Washington, D.C.

April 18, 1991  
Pfizer  
Panelist on trade issues.  
Washington, D.C.

April 23, 1991  
US Apparel Industry Council  
Speech on current key trade  
issues.  
Washington, D.C.



May 7, 1991  
Border Trade Alliance  
Panelist on free trade and fast  
track.  
Washington, D.C.

May 17 - 19, 1991  
Grocery Manufacturer's Assoc.  
(GMA)  
Annual Congressional Issues  
Forum--panelist on "Tax and Trade  
Outlook in First Session."  
Hot Springs, Virginia

May 23, 1991  
National Press Foundation  
Spoke at workshop on the U.S.-  
Mexico FTA.

September 10, 1991  
Speech to LICIT group on trade  
issues.  
Washington, D.C.

September 23, 1991  
National Customs Brokers Assn.  
Speech on world trade from  
Congressional point-of-view.  
Washington, D.C.

November 14 - 17, 1991  
Cigar Assn. of America  
Speech to general membership  
meeting on NAFTA, Uruguay Round,  
CBI, and GSP.  
Orlando, Florida

December 15 - 20, 1991  
GATT negotiations  
Geneva, Switzerland

# 1990

January 30, 1990  
CBEMA  
Speech to International Committee  
on trade legislation in Second  
Session, EC 92, and Uruguay  
Round.  
Washington, D.C.

February 12, 1990  
NATA  
Speech on textiles.  
Washington, D.C.

February 16 - 18, 1990  
PMA  
Panelist on implications of  
Uruguay Round and EC 92 as they  
relate to pharmaceutical  
industry.  
Scottsdale, Arizona

March 29, 1990  
Joint Industry Group  
Speech on trade agenda for second  
session.  
Washington, D.C.

September 7, 1990  
National Machine Tool Builders  
Association (NMTBA)  
Speech at industrial trade show.  
Chicago, Illinois

September 21, 1990  
John Labatt Ltd.  
Speech on trade activity to  
corporate executives meeting.  
Toronto, Canada

September 25, 1990  
Customs Service  
Panelist on user fees.  
Washington, D.C.

14. Qualifications:

State what, in your opinion,  
qualifies you to serve in the  
particular position to which you  
have been nominated

I believe I am particularly well  
qualified to serve as  
Commissioner of Customs because I  
have spent virtually my entire  
career involved in Customs and  
other trade-related issues. I  
not only know from personal  
experience what the mission of  
the Customs Service is, but I  
appreciate the important role the  
Customs Service plays in carrying  
out U.S. trade policy. I believe  
this will make me particularly  
effective in ensuring that our  
trade laws and trade agreements  
are effectively carried out. As  
a lawyer who spent nine years  
involved in the legislative  
process, including several major  
anti-crime and anti-drug bills, I  
will also ensure that the many  
other laws that the Customs  
Service enforces, such as our  
anti-narcotics laws, are  
aggressively enforced. I believe  
that my background will help me  
bring the appropriate balance in  
carrying out Customs important  
commercial and enforcement  
responsibilities.



United States  
**Office of Government Ethics**  
1201 New York Avenue, NW., Suite 500  
Washington, DC 20005-3917

May 3, 1993

The Honorable Daniel P. Moynihan  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

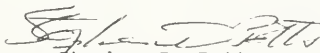
Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by George J. Weise, who has been nominated by President Clinton for the position of Commissioner of Customs for the Department of the Treasury.

We have reviewed the report and have obtained advice from the Department of the Treasury concerning any possible conflict in light of the Department's functions and the nominee's proposed duties.

Based thereon, we believe that Mr. Weise is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

  
Stephen D. Potts  
Director

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## COMMUNICATIONS

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### STATEMENT OF THE AMERICAN ASSOCIATION OF EXPORTERS AND IMPORTERS

The American Association of Exporters and Importers (AAEI), founded in 1921, is a national organization comprised of approximately 1,200 U.S. company-members engaged in all aspects of international trade. Importing and exporting members, shippers, customs brokers, freight forwarders, and other member service firms interact daily with the U.S. Customs Service, making AAEI one of the closest observers of Customs operations. AAEI has also been active in Customs issues and has testified on the U.S. Customs Service budget authorization and Customs Compliance and Modernization Act. The Association also comments regularly on proposed Customs regulations.

AAEI is pleased to participate in the Senate confirmation process for the appointment of George Weise as Commissioner of the U.S. Customs Service. Unquestionably, Mr. Weise has the proper qualifications, professional experience, career path development and personal integrity to serve as Commissioner of Customs. AAEI applauds the nomination of someone experienced in Customs matters to this important position.

The United States Customs Service, a separate agency under the Treasury Department, is the principal government agency vested with authority to administer and enforce the customs, tariff, and trade laws of the United States.

The Service is charged with assessing and collecting customs duties, excise taxes, fees, and penalties due on imported merchandise; interdicting and seizing contraband; processing persons, carriers, cargo, and mail into and out of the United States; administering certain navigation laws; detecting and apprehending persons engaged in fraudulent practices designed to circumvent customs and related laws; and enforcing copyright, patent and trademark provisions, quotas, and marking requirements for imported merchandise.

The Customs Service also cooperates with and assists approximately 40 government agencies in the enforcement of federal laws and regulations. For example, it ensures that imported chemicals and pesticides meet the Environmental Protection Agency's requirements; that foodstuffs, drugs, and medical devices comply with regulations of the Food and Drug Administration; and that the fiber and care labeling requirements administered by the Federal Trade Commission are strictly adhered to. All of these laws are enforced by the Customs Service in the first instance, and referred, if necessary, to the proper agencies. Headquartered in Washington, D.C., the United States Customs Service is under the supervision of the Commissioner of Customs.

To a large degree, the ability to perform as the Commissioner of Customs depends on knowledge of Customs administration and Customs law, maintenance of a proper balance between enforcement and commercial operations as well as recognizing the role of Customs in facilitating trade. In this respect, Mr. Weise is uniquely prepared as a law school graduate from the University of Maryland with an M.B.A. degree in International Business from the George Washington University of Government and Business. More relevant, on a practical basis, Mr. Weise started his working career as an Import Specialist in Baltimore with the U.S. Customs Service. He then joined the staff of the International Trade Commission (ITC) as Supervisory Attorney Advisor, working on tariff and trade legislation following the Tokyo Round. Also, Mr. Weise was the Chairman to the GATT Subcommittee on Trade in Civil Aircraft. He concluded his tenure with the ITC as a participant to the Presidents' Executive Exchange Program, serving as a trade attorney in the corporate headquarters of the IBM Corporation, thereby gaining important business experience.

More recently as a Staff Director of the Subcommittee on Trade of the House Ways and Means Committee, Mr. Weise was intimately involved in Customs matters and was instrumental in negotiating many provisions in the Customs Mod-

ernization and Informed Compliance Act now before Congress. AAEI has been an active participant in many of these negotiations and has found Mr. Weise to be professional, knowledgeable, and understanding as well as focused on achieving balanced results. He also has invaluable experience in dealing with the U.S. business community in an impartial manner. Thus, Mr. Weise's first-hand knowledge and experience will enhance the passage of Customs legislation and other legislative and regulatory changes required in the future.

In summary, Mr. Weise will be ideally positioned to provide leadership and the necessary government/business cooperation established by his predecessor; to maintain a balance between enforcement and commercial operations; to seek efficiencies through introduction of management techniques and to aggressively pursue the objectives embodied in Customs legislation.

With the support of a competent and reliable management team already in place at the U.S. Customs Service, George Weise will certainly be able to perform his task of supervising the U.S. Customs Service with operations in fifty states, seven regions and 300 ports of entry, and fulfill the mandate of Congress to lay and collect taxes, duties, imposts and excises in its role to regulate Commerce with foreign nations.

Clearly the choice of Mr. Weise as Commissioner of Customs is well founded on its merits. The American Association of Exporters and Importers enthusiastically and unconditionally endorses him to be the Commissioner of the U.S. Customs Service.

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AMERICAN ELECTRONICS ASSOCIATION,  
Washington, DC, April 9, 1993.

Hon. DANIEL PATRICK MOYNIHAN, *Chairman,*  
*Committee on Finance,*  
*U.S. Senate,*  
*Washington, DC.*

Dear Mr. Chairman: The American Electronics Association wishes to express its strong support for the nomination of George Weise to be Commissioner of Customs. AEA represents 3000 high technology companies from around the country who require a rational U.S. regulatory system to efficiently conduct international business.

The Customs Service is the primary agency for managing the import activities of American commerce. Of utmost importance to this function is the appointment of a Customs Commissioner who will balance regulatory concerns of American trade competitiveness with the enforcement requirements of U.S. trade laws and drug interdiction. Mr. Weise meets these requirements exceptionally.

In our view, a key short term necessity for the Customs Commissioner is knowledge and support of the pending Customs Modernization and Informed Compliance Act. Support for this legislation recognizes: (1) the substantive need for a modernized and nationally automated customs infrastructure and (2) the cooperative process by which this legislation came to fruition; it represents efficient, consensus policy-making. George has been a leader in this process.

In general terms, the Customs Commissioner should understand or have experience in day-to-day commercial operations in order to be cognizant of how Customs policies affect corporate administration of international business and ultimately, a company's bottom line. Moreover, the Commissioner should have a demonstrated ability to work with other governmental agencies, the Congress and the business community to resolve policy and regulatory issues.

Again, George Weise exemplifies all the above attributes, and we believe he would carry out his duties with superior effectiveness and integrity. We urge his swift confirmation.

Sincerely,

J. RICHARD IVERSON, *President and CEO.*

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#### STATEMENT OF THE MEXICAN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND

The Mexican American Legal Defense and Educational Fund (MALDEF) appreciates the opportunity to present this statement regarding the nomination of George Weise for Commissioner of the United States Customs Service. MALDEF is a national non-profit civil rights organization dedicated to the advancement of Hispanics in the United States through education and litigation.



We do not wish to comment either in support of or in opposition to Mr. Weise's nomination. Rather, our statement concerns one of the most significant problems the new Commissioner will inherit if he is confirmed. That is the problem of hostility within the Customs Service to its Hispanic agents.

Our research has revealed a national pattern of discrimination against Hispanics. In the main, the Customs Service maintains an informal and unfair discriminatory promotion system to circumvent the formal merit promotion process. This system is implemented through practices that deny career-enhancing positions to Hispanic employees, including restricting Hispanic employees to Hispanic areas of the country; assigning Hispanic employees to perform undesirable special duties for which they are not given appropriate credit; pre-selecting and grooming less qualified non-Hispanic employees for promotion prior to announcing job vacancies; and denying Hispanic employees opportunities from participating in training programs.

Customs disproportionately assigns its Hispanic agents to certain "Hispanic areas," consisting of three regions: the Southwest (headquartered in Houston); Pacific (headquartered in Los Angeles); and Southeast (headquartered in Miami). By confining disproportionate numbers of its Hispanic agents to positions where the local language is Spanish, Customs has severely restricted, and in some instances frozen, the advancement of those agents. Customs routinely has denied Hispanics career advancing assignments to positions as foreign representatives and attaches in non-Hispanic countries or stations in non-Hispanic areas of the United States.

Without such opportunities, Hispanics have been left to learn and to develop as best as they can within the "glass ceiling" of the Hispanic regions. Even within their geographic ghettos, however, Hispanics have been assigned on a regular and ongoing basis to positions which limit their opportunities in comparison to non-Hispanic employees. For example, among agents with criminal enforcement responsibilities Customs has assigned a disproportionate number of Hispanics (a) to involuntary undercover assignments, or (b) to "special duties" such as the monitoring of wiretaps, in both cases solely to exploit their Spanish language skills. These undesirable, low-level tasks involve unusually long hours and often take an agent away from his or her home office. These assignments hinder the career advancement of Hispanic agents because they are not given appropriate credit for the special duties performed and because they are forced to fall behind in their regular duties. Moreover, despite the rigors of these assignments, after Hispanics have completed the painstaking preliminary work, the more important career-enhancing cases consistently have been reassigned to non-Hispanics for pursuit. As a result, Hispanics have been historically far less able than their non-Hispanic colleagues to obtain promotion.

Although Hispanics have been confined disproportionately to the heavily Hispanic regions of the country, non-Hispanics are frequently imported from other areas to fill managerial-level vacancies which occur in these regions. Customs consistently has permitted and condoned an informal, subjective system of grooming and selecting non-Hispanic candidates for promotions, in these areas and others, in circumvention of the protections of the formal merit promotion system. Specifically, non-Hispanics have been rewarded with non-competitive "temporary job placements" into higher positions when those positions first become available. Only after the non-Hispanic candidate has held such "temporary" jobs have these positions formally been posted for applicants. The Customs Service then relies on the temporary placement of non-Hispanics in these jobs as the basis for permanent promotion to these positions over Hispanic applicants of equal or greater qualification. This practice has resulted in the creation of a federal "old boy" system, in direct violation of Title VII.

In addition, Hispanic agents are denied not only informal on-the-job training, they have also been repeatedly excluded from formal training programs. As a Customs EEO Specialist stated in a 1989 report "[Customs] management development programs . . . have been almost non-functional when it comes to Hispanics and other minorities."

The results of the discriminatory practices are stark and chilling. Statistics reveal the steady reduction, since 1980, of the number of Hispanics at upper management levels. Prior to 1980 Customs employed eleven (11) Hispanics in the GS-15 grade level, and no Hispanics in the Senior Executive Service ("SES"), which includes such positions as Regional Commissioner, Assistant Commissioners, and other executive level positions. Today, there are only about five (5) Hispanics at the GS-15 level, and there are still no Hispanics in the SES. Indeed, the majority of Hispanics in the Customs Service are disproportionately concentrated at the bottom of the agency.

A number of courageous Hispanic agents, including some of the highest ranking Hispanics at the agency with a lot to lose by rocking the boat, have with the assistance of MALDEF filed a class action law suit against the Customs Service to rem-

edy these practices. Similar law suits have been necessary in the past. Yet, the discrimination continues.

We believe the new Commissioner must undertake a thorough review of the underrepresentation of Hispanics in the agency and the allegations of discrimination, and make special efforts to promote qualified Hispanic agents.

Many Hispanics believe that Customs is insensitive to the issues of discrimination. We believe that for the good of the agency the next Commissioner must make a personal, concerted and sustained effort to resolve their grievances.

We also urge this committee to communicate these concerns to the new Commissioner and to do all it can to encourage the new Commissioner to resolve these issues promptly.



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